

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

PREPARED BY:
STACEY INGLIS
FINANCE DIRECTOR



SUBMITTED BY:
CHRIS LAGERBLOOM
CITY MANAGER

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INTRODUCTORY SECTION



CITY OF MILTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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TO THE HONORABLE MAYOR, MEMBERS OF CITY COUNCIL, CITIZENS, BUSINESSES AND STAKEHOLDERS OF THE CITY OF MILTON:

MARCH 24, 2010

We are pleased to present to you the Comprehensive Annual Financial Report of the City of Milton, Georgia for the fiscal year ended September 30, 2010. This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls established for this purpose. Since the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

In compliance with state laws, the City's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010 are free of material misstatement. The independent audit involved: examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors have concluded, based upon their audit, that there is reasonable basis for rendering an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2010. The independent auditor's report is presented as the first component of the financial section of this report.

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

OUR HISTORY

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

In 1857, Milton County was formed from parts of Cobb, Cherokee and Forsyth Counties to create a more accessible county seat. It was named for John Milton, Georgia's first Secretary of State and a Revolutionary War hero. This was an agriculture-based community with cotton as the main crop. Devastation hit with the boll weevil infestation in the

1910s and 1920s and then with the Great Depression in the 1930s. Small counties, such as Milton, were encouraged to consolidate with larger counties in the "Bigger and Better Counties" movement. It was at this time in 1932 that Milton voters decided to merge with Fulton County.

The area remained unincorporated for seventy-four years until the citizens decided they wanted services provided and decisions made on a more local level. On December 1, 2006, the City of Milton was born. Located at the northern-most tip of Fulton County, it occupies a land area of 39.13 square miles and serves an estimated population of 32,661. The City is known for its rural character and pastoral farm lands.

GOVERNMENT PROFILE

Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and six Council-members, all elected on a non-partisan basis. Each serves a four (4) year staggered term, where one-half of the Council seats are up for election every two (2) years. The Mayor is elected at large, without regard to specific residence within the City. The Council members are elected by district and serve at large.

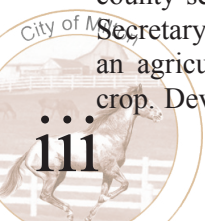
The City of Milton operates under a Council-Manager form of government, whereby the City Manager is appointed by Mayor and Council. The City Manager has the authority and responsibility: to carry out the policies set forth by the Council; to provide for the effective and efficient delivery of municipal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

The City provides a full range of services, including police and fire protection and the construction and maintenance of streets and other infrastructure. Parks and recreational programs are in the early stages of development with plans to expand in the next fiscal year. Sanitation services are provided through relationships with private operators.

Milton has one of the most educated populations of any city this size in the state. Approximately 97% of the residents over the age of 25 hold at least a high school degree and over 62% have a bachelor's degree or higher. Almost 94% of the 16 years of age or older population are employed. Over 80% of the workforce is in the professional/management field.

BUDGET BASIS AND STRUCTURE

The annual budget serves as the foundation for the City's



financial plan and assists in control of the financial stability and health of the government. The Mayor and Council are legally required to adopt a balanced budget no later than the close of the fiscal year. The City's fiscal year runs from October 1 through September 30.

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

ECONOMIC CONDITION

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

- **Population** – The U.S. Census Bureau estimates the population of the City at 32,661 residents as of 2010.
- **Development** – The City is in a unique situation as a municipality that is largely rural and suburban in nature, but which lies within the metropolitan area of Atlanta and in close proximity to major future-growth corridors. Approximately 54% of the land area within the City has a residential land use, while 34% has an agricultural or forestry land use. Only 2% is dedicated to commercial use, while the remaining 10% is park land, cemeteries, schools and wetlands. Over the fiscal year, 950 building permits were issued. This is a 2% decrease over the previous year.
- **Property values** – Total taxable assessed property values decreased by 4.9% for the 2010 property tax year. This decrease is attributed to the economic downturn.

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

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

STRATEGIC FINANCIAL PLANNING

Although many economic factors are largely outside of lo-

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

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

The City of Milton maintains a flexible, yet thorough five-year capital improvement plan, whereby capital needs are identified several years before funding and implementation, to allow adequate time for planning. This plan also provides for the orderly replacement of facilities and equipment.

The City's current five-year plan had identified \$28.6 million in projected expenditures through fiscal year 2015; \$4.8 million of this is budgeted for the 2011 fiscal year. Over \$4.4 million is designated for public works projects such as pavement management and bridge replacement. The remaining budget is slated for future replacement of public safety vehicles.

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

MAJOR INITIATIVES

During fiscal year 2010, the City of Milton planned and implemented several major initiatives designed to meet citizens' and business owners' needs for services, improve the quality of life and adhere to the Mayor and Council's vision and mission for the City.

At its inception, the City decided to take a non-traditional approach to operating a city by partnering with a private firm, CH2M Hill, Inc., to perform the operations and maintenance services. During fiscal year 2009, the City and CH2M Hill met frequently to discuss contract modifications and price-



ing that addressed the current downward financial trends. Throughout these discussions, it became apparent the City should explore the option of bringing all of the services in-house. A great deal of research was performed to determine the feasibility of making such a move and the results showed it would be more cost-effective. The decision was made to terminate the contract effective December 31, 2009. CH2M Hill provided a valuable service and was a tremendous help in getting the City started.

As a kickoff to establishing parks and recreation programming, the City of Milton sent out a needs assessment survey to every household in March 2010. This survey focused on what the residents would like from our new Parks and Recreation department. An overwhelming 23% of the city responded to the survey, a response rate much higher than the national average. The results are the bedrock for what this department will become.

The Community Development Department made progress on several key initiatives. The Highway 9 Design Guideline Committee met frequently with staff to produce guidelines that will provide developers with a more thorough explanation of Milton's State Route 9 Overlay District Standards. After 18 months of hard work, the Committee completed the guidelines. They were approved by Mayor and Council in December 2009.

The Historic Preservation Committee, formed in 2009, completed the historic preservation ordinance that serves to preserve historic structures within the City. Along with the adoption of the ordinance, the Mayor and Council dissolved the Committee and formed the Historic Preservation Commission. The Commission has been charged with identifying and protecting those structures, sites and districts in Milton which represent our unique heritage.

The Community Development Department along with the Comprehensive Plan Advisory Committee is nearing completion of a Comprehensive Plan. This Plan describes the vision for Milton's future and states the policy for realistic growth and development that may occur over a 20-year period. A draft of the plan was submitted to the state and local planning entities on December 20, 2010 for a 60-day review and comment period. Adoption is anticipated to occur in fiscal year 2011.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Milton for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2009. This program recognizes those governments that go beyond

the minimum requirements of generally accepted accounting principles to prepare CAFR's that represent the spirit of transparency and full disclosure. This was the second year the City has received this prestigious award. This award is valid for a period of one year only. We believe that our current CAFR continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award. The City is committed to this effort and will strive to maintain and surpass these standards on future reports.

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

Respectfully submitted,



Christopher J. Lagerbloom
City Manager



Stacey R. Inglis
Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milton
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director





ELECTED OFFICIALS AT SEPTEMBER 30, 2010

FROM LEFT: DISTRICT 3 WILLIAM C. LUSK | DISTRICT 6 ALAN TART
MAYOR JOE LOCKWOOD | DISTRICT 5 JOE LONGORIA | DISTRICT 2 JULIE
ZAHNER BAILEY | MAYOR PRO TEM/DISTRICT 4 BURT HEWITT
DISTRICT 1 KAREN THURMAN

LISTING OF PRINCIPAL OFFICIALS AT SEPTEMBER 30, 2010

CITY MANAGER
CHRIS LAGERBLOOM

FINANCE DIRECTOR AND CITY
TREASURER
STACEY INGLIS

CHIEF OF POLICE
DEBORAH HARRELL

FIRE CHIEF
ROBERT EDGAR

HUMAN RESOURCES DIRECTOR
SAM TRAGER

PARKS AND RECREATION
DIRECTOR
CYNDEE BONACCI

COMMUNITY
DEVELOPMENT DIRECTOR
LYNN TULLY

PUBLIC WORKS
DIRECTOR
CARTER CUCAS

CITY CLERK
SUDIE GORDON

COURT CLERK
BROOKE LAPPIN

COMMUNICATIONS MANAGER
JASON WRIGHT

INFORMATION
TECHNOLOGY MANAGER
DAVID FRIZZELL

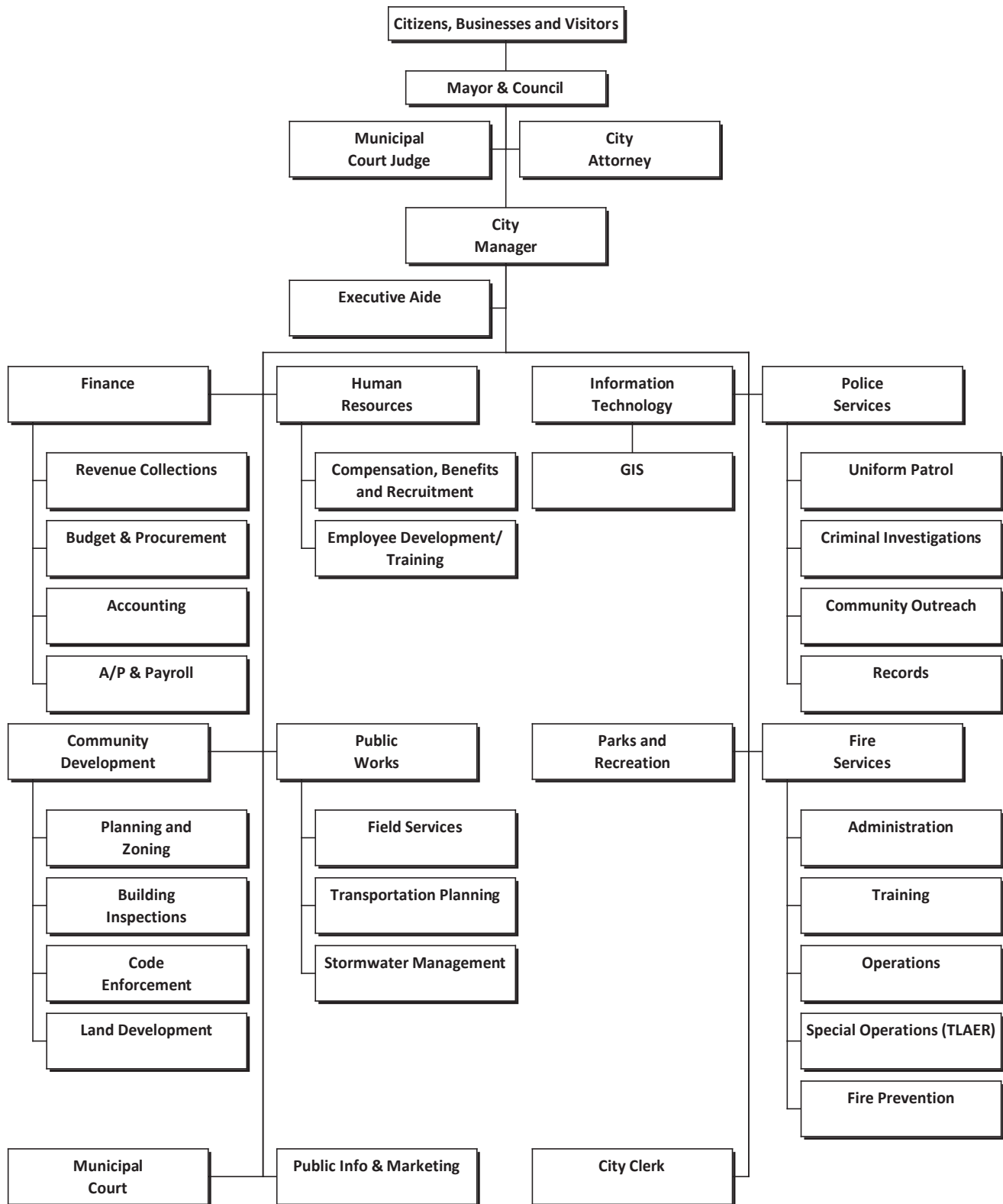
CITY ATTORNEY
KEN E. JARRARD, ESQ.

CITY AUDITORS
MAULDIN & JENKINS, LLC



ORGANIZATIONAL CHART

AT SEPTEMBER 30, 2010



CITY MEETINGS AND SPECIAL EVENTS

CITY COUNCIL

Regularly Scheduled Meetings

First and Third Mondays

Work sessions

Second Monday

6 p.m. in Council Chambers

PLANNING COMMISSION

Regularly Scheduled Meeting

Fourth Tuesday

7 p.m. in Council Chambers

DESIGN REVIEW BOARD

Regularly Scheduled Meeting

First Tuesday

6 p.m. in Council Chambers

BOARD OF ZONING APPEALS

Regularly Scheduled Meeting

Third Tuesday

7 p.m. in Council Chambers

DISABILITY AWARENESS COMMITTEE

Regularly Scheduled Meeting

First Wednesday

7 p.m. in Executive Conference Room

MILTON GROWS GREEN

Regularly Scheduled Meeting

Second Tuesday

12 p.m./6:30 p.m. in Executive Conference Room/Fire Station No. 43 -- alternates

HISTORIC PRESERVATION COMMISSION

Regularly Scheduled Meeting

Second Wednesday

6 p.m. in Executive Conference Room

PARKS AND RECREATION ADVISORY BOARD

Regularly Scheduled Meeting

Third Thursday

11:30 p.m. in Executive Conference Room

APRIL 16 – EARTH DAY FESTIVAL

10 a.m. to 2 p.m., Birmingham Park

Milton's second Earth Day Festival is scheduled for Saturday, April 16 at Birmingham Park.

The event, sponsored by The Milton Grows Green Committee (MGG), will feature information about existing and future environmental projects and programs in Milton. More information will be available as the date approaches.

MAY 30 – MEMORIAL DAY

10 a.m., City Hall

The yearly Memorial Day commemoration will again be held at Milton's City Hall and feature a flyover, invocation, presentation of colors, call to colors, songs, a Keynote Speaker, a roll call of deceased veterans, and a benediction.

OCT. 15 – 5TH ANNUAL MILTON ROUNDUP

Noon to 6 p.m., Birmingham United Methodist Church

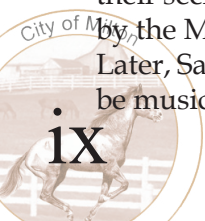
Our annual Milton Roundup is a celebration of the city. All residents of Milton, along with their family and friends, are invited to join in the day-long event where they can eat good local food, play games, listen to music, hop on one of our exciting rides or just spend the day outside enjoying Georgia's beautiful fall weather. Parking and admission are free.

DEC. 3 – CHRISTMAS IN CRABAPPLE AND ANNUAL TREE LIGHTING

1 to 4 p.m., historic downtown Crabapple; 7 to 8:30 p.m., Corner of Webb Road and Ga. 9

Celebrate the season of giving with a traditional outdoor celebration. Santa will be on hand for children to share their secret wishes and to get their picture taken. Everyone can enjoy refreshments while listening to carols sung by the Milton High School choir.

Later, Santa will make another appearance, this time on the other side of Milton, to light the city's tree. There will be music, refreshments, a countdown to the lighting, and more.



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, 2010, 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, 2010, 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 24, 2011, on our consideration of the City of Milton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 24, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Milton (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the beginning of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$52,153,661 (*total net assets*). Of this amount \$15,655,187 (*unrestricted net assets*) may be used to meet the ongoing obligations of the government.
- The City's total net assets increased by \$3,108,772.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$14,819,688, an increase of \$10,214,067 from the prior year. This significant increase is due to the collection of prior year property taxes. In fiscal year 2009, Fulton County sent the tax digest two-months later than usual resulting in the late billing of property taxes. Since taxes are collected at the end of the fiscal year, a majority of the receipts fell in fiscal year 2010.
- The City's total long-term debt at September 30, 2010, consists of three master leases that were used to purchase public safety vehicles and equipment totaling \$3,609,092. There was also a payable of \$101,463 for the settlement between the City and Fulton County regarding an intergovernmental agreement for police and fire service. As of the close of the fiscal year, the balance of the long-term debt is \$2,331,958.

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors, such as diversification of the taxpayer base or the condition of the City's infrastructure, in addition to the financial information provided in this report.

The *statement of activities* report how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). An important purpose of the design of this statement is to show the financial reliance of the City's distinct activities, or functions, on revenues provided by the City's taxpayers.

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

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



GOVERNMENT-WIDE FINANCIAL ANALYSIS

Following is a summary of the City's net assets as found on page 42 of this report.

CITY OF MILTON'S NET ASSETS

	Governmental Activities	
	2010	2009
Assets		
Current and other assets	\$ 17,513,583	\$ 14,649,351
Capital assets	38,268,948	38,493,644
Total assets	55,782,531	53,142,995
Liabilities		
Current liabilities	1,296,912	1,720,320
Non-current liabilities outstanding	2,331,958	2,377,786
Total liabilities	3,628,870	4,098,106
Net assets		
Invested in capital assets, net of related debt	36,498,474	36,524,637
Unrestricted	15,655,187	12,520,252
Total net assets	\$ 52,153,661	\$ 49,044,889

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

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

The basic governmental fund financial statements can be found on pages 11 through 13 of this report.

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

The basic fiduciary fund financial statement can be found on page 14 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 15 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 33 of this report.

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The City of Milton reported net assets of \$52,153,661 at the close of the fiscal year. The largest portion of the net assets (70%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the City's net assets represents unrestricted net assets. The statement reveals a \$15,655,187 (30%) surplus at the end of this fiscal year, an increase of \$3,134,935 over the previous fiscal year. The evidence of a surplus does not mean that the City has resources available beyond its long-term commitments. Rather, it is the result of having currently available resources that are greater than long-term commitments. The primary reason for this positive change in net assets is the City's ability to maintain sufficient revenues while maintaining adequate budgetary controls on expenses.

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



The following condensed financial information was derived from the government-wide *statement of activities* (page 10) and reflects how the City's net assets changed during the fiscal period.

to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of fiscal year 2010, the city reported governmental funds combined ending fund balance of \$14,819,688, an increase of \$10,214,067 from the prior year. The largest component of this amount \$14,572,695 constitutes *unreserved fund balance* with \$6,526,619 attributable to the capital projects funds. It is important to note the significant increase in the fund balance is due to the collection of prior year property taxes. The 2009 property taxes were billed two months late as a result of Fulton County's inability to reconcile the digest in a timely manner causing the majority of the revenue collections to fall in fiscal year 2010.

CITY OF MILTON'S CHANGES IN NET ASSETS

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 2,058,005	\$ 2,099,704
Operating grants and contributions	151,166	119,099
Capital grants and contributions	180,420	424,745
General revenues:		
Property taxes	9,696,611	10,328,547
Sales taxes	3,900,468	3,708,300
Other taxes	3,424,340	3,382,810
Interest	36,221	53,168
Miscellaneous revenues	49,436	301,379
Total revenues	<u>19,496,667</u>	<u>20,417,752</u>
Expenses		
General government	3,659,341	4,588,792
Judicial	608,784	538,008
Public safety	7,893,897	7,261,031
Public works	3,100,250	4,468,962
Culture and recreation	164,925	167,788
Housing and development	899,383	1,720,486
Interest on long-term debt	61,315	119,315
Total expenses	<u>16,387,895</u>	<u>18,864,382</u>
Increase in net assets	<u>3,108,772</u>	<u>1,553,370</u>
Net assets - beginning	<u>49,044,889</u>	<u>47,491,519</u>
Net assets - ending	<u>\$ 52,153,661</u>	<u>\$ 49,044,889</u>

There was an overall increase in net assets of \$3,108,772 in fiscal year 2010 (compared to an increase of \$1,553,370 in the prior year). For the first three years of operation, the City contracted with a private firm, CH2M Hill, to provide the maintenance and operations services. During the negotiations for contract renewal in fiscal year 2009, it became apparent that the City could no longer justify the cost versus the benefits of this style of government. The decision was made to terminate the contract on December 31, 2009 and perform everything in-house or through direct contracts with suppliers. The cost savings realized from this change is the key element of the increase in net assets.

The remaining portion of the combined ending fund balance represents *reserved fund balance* and comprises \$246,993, indicating that it is not available for new spending. This amount has already been committed to: 1) prepaid items (\$182,659); 2) Bell Memorial Park (\$51,506); and 3) special events (\$12,828).

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. At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$7,663,342, while the total fund balance reached \$7,846,001.

The following provides an explanation of the changes in revenues by source from 2009 to 2010:

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Milton uses fund accounting



- **Taxes.** The City bills property taxes at the end of the fiscal year. Since Fulton County had problems with reconciling the digest in 2009, they were exceptionally late in delivering it to the City, resulting in tax bills being sent two months later than in previous years. As a result, the current year reflects an increase of \$13.6 million in property tax revenues, which includes prior year collections. Another contributing factor to the increase in taxes was sale tax revenues were \$314,860 higher than the previous year.
- **Licenses and permits.** These revenues were slightly higher in 2010 due to a slow incline in building permits.
- **Charges for service.** The decrease of \$119,844 is primarily attributable to a \$63,000 decline in municipal court administrative fees and the reclassification of Hopewell Youth Association (HYA) fees of \$33,650 out of the General Fund and into the Capital Projects Fund.
- **Fines and forfeitures.** Municipal court fees increased by roughly \$87,000.
- **Other.** Other revenues decreased by \$261,120. In fiscal year 2007, the City booked a payable for the final payment of an intergovernmental agreement for police and fire services totaling \$259,261. This payable was taken off the books in fiscal year 2009 since it was management's belief that this amount was not a liability.

Revenues Classified by Source - General Fund

	FY 2010		FY 2009		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
	Revenues by Source:					
Taxes	\$ 23,859,850	95.2%	\$ 9,899,995	87.1%	\$ 13,959,855	141.0%
Licenses and permits	268,122	1.1%	238,976	2.1%	29,146	12.2%
Charges for service	269,516	1.1%	389,360	3.4%	(119,844)	-30.8%
Fines and forfeitures	593,289	2.4%	505,921	4.4%	87,368	17.3%
Other	76,397	0.3%	337,517	3.0%	(261,120)	-77.4%
Total	\$ 25,067,174	100.0%	\$ 11,371,769	100.0%	\$ 13,695,405	120.4%

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

- As mentioned previously, the City terminated the partnership with the private firm, CH2M Hill, which provided maintenance and operations services for the City during its first three years of existence. The savings from this along with prudent spending by the department heads allowed the city to realize an overall decrease of \$2,680,165 in the departments that were affected.
- There was an increase of \$457,207 in Public Safety. A large portion of this is attributable to personnel costs: approximately \$90,000 in cost of living adjustments, an increase of over \$205,000 in insurance premiums, and roughly \$60,000 in a full year of salary costs for three police officers that were hired in the middle of fiscal year 2009. The remaining \$100,000 increase is due to rising gas prices and the annual maintenance of new software.
- Debt service decreased by \$26,443. In fiscal year 2008, the City had to seek short-term funding in the form of a tax anticipation note to shore up cash flows during the year. This note was paid off in December 2008 and a pro-rated portion of the interest payment was booked

in fiscal year 2009. Because the reserves are at a level that can carry the City through the slow revenue periods, there has not been a need to obtain any further tax anticipation notes since fiscal year 2008.

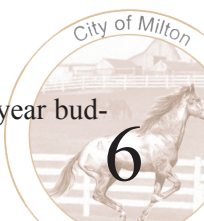
Expenditures by Function - General Fund

	FY 2010		FY 2009		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
	Expenditures by Function:					
General government	\$ 3,531,615	26.3%	\$ 4,542,545	29.0%	\$ (1,010,930)	-22.3%
Judicial	235,252	1.8%	538,008	3.4%	(302,756)	-56.3%
Public safety	6,248,070	46.5%	5,790,863	36.9%	457,207	7.9%
Public works	1,702,796	12.7%	2,219,838	14.2%	(517,042)	-23.3%
Culture and recreation	135,109	1.0%	159,713	1.0%	(24,604)	-15.4%
Housing and development	866,124	6.4%	1,690,957	10.8%	(824,833)	-48.8%
Debt service	716,541	5.3%	742,984	4.7%	(26,443)	-3.6%
Total	\$ 13,435,507	100.0%	\$ 15,684,908	100.0%	\$ (2,249,401)	-14.3%

Capital Projects Fund. Annually, the City Council approves a capital program as part of the budget process. Funding for these projects comes primarily from available fund balance of the General Fund. The Capital Projects Fund accounts for these activities. During the year \$2,412,511 was transferred to this fund from the General Fund. After expenditures of \$2,255,632, the remaining fund balance was \$5,748,996.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City employs an annual mid-year and end-of-year bud-



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

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

- Increased property taxes by \$6,464,026 to account for prior year tax collections, as previously explained
- Increased local option sales tax revenue by \$173,000 to account for higher-than-anticipated collections.
- Decreased business taxes by \$12,342 to cover lower-than-anticipated revenues.
- Increased licenses and permits by \$41,220 primarily due to several new restaurants obtaining their alcohol beverage licenses and pouring permits.
- Decreased charges for service by \$65,140 to cover lower-than-anticipated court administrative fees.
- Expenditures decreased by approximately \$1.8 million

primarily due to the savings realized after the termination of the partnership with CH2M Hill.

During the year, general fund revenues exceeded budgetary projections, and expenditures were less than budgetary estimates. Actual revenues and other financing sources were \$604,329 higher than estimates, whereas expenditures were \$1,094,370 lower than final budgetary appropriations. Listed below are the major variances between actual and appropriations:

- As mentioned previously, property tax revenues were greatly affected by the timing in which Fulton County sent the tax digest. The City was two months late in billing the taxes; therefore, only one month of collections was booked in fiscal year 2009 with the bulk of the collections falling in fiscal year 2010. The collection of the 2010 property taxes was also higher than anticipated. The total variance in taxes was \$477,617.
- The expenditures were lower than anticipated primarily due to vacant positions and the prudent spending of department heads.

	Budget		Actual	Variance with Final
	Original	Final		
Revenues and transfers in:				
Taxes	\$ 16,757,549	\$ 23,382,233	\$ 23,859,850	\$ 477,617
Licenses and permits	216,210	257,430	268,122	10,692
Charges for services	326,160	261,020	269,516	8,496
Fines and forfeitures	452,500	502,500	593,289	90,789
Contributions	-	3,370	3,370	-
Interest earned	20,000	20,000	23,591	3,591
Miscellaneous	37,802	38,437	49,436	10,999
Other financing sources	7,000	3,500	5,645	2,145
Total	\$ 17,817,221	\$ 24,468,490	\$ 25,072,819	\$ 604,329
Expenditures and transfers out:				
Expenditures	16,337,355	14,529,877	13,435,507	(1,094,370)
Transfers out	1,479,866	2,650,612	2,448,820	(201,792)
Total	17,817,221	17,180,489	15,884,327	(1,296,162)
Change in fund balance	\$ -	\$ 7,288,001	\$ 9,188,492	\$ 1,900,491

CAPITAL ASSET AND DEBT ADMINISTRATION

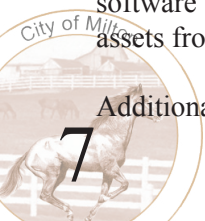
Capital assets. As of September 30, 2010, the City's investment in capital assets for its governmental activities total \$38,268,948 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment and other, construction in progress and infrastructure. Additions to the capital assets include thirteen new vehicles, financial software, community development software and a defibrillator. The overall decrease in capital assets from the prior period is due to depreciation.

Additional information on the City's capital assets can be

found in note 6 on page 24 of this report.

City of Milton, Georgia Capital Assets (net of accumulated depreciation) Fiscal Years 2009 and 2010

	2010	2009
Land	\$ 3,869,061	\$ 3,869,061
Buildings	239,207	258,804
Vehicles, Equipment & Other	2,761,492	2,217,108
Construction in progress	1,097,000	1,097,000
Infrastructure	30,302,188	31,051,671
Total	\$ 38,268,948	\$ 38,493,644



Long-term debt. At the end of fiscal year 2010, the City's total outstanding debt was \$1,770,474 for police and fire vehicles. A payment of \$637,831 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 7 on pages 25 and 26 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 2011 budget:

- Sustainability of existing services – the City has deployed a philosophy of budgetary evaluation that reviews the needs of the City to a standard realizing that services and associated costs should not be appropriated if they are not justified as long-term goals of the organization. This philosophy is solidified during the budget process, with a multi-year financial outlook that provides the conduit to evaluate government priorities, realign and diversify revenue structures, and provide the data for decision making for continued financial success.
- Cost of government – the City is legally mandated to levy a millage rate no higher than 4.731 mills. In order

to sustain the current level of service, the City decided to project property tax revenues in the new fiscal year using the maximum millage rate allowed. This will provide approximately \$7.6 million in operating revenue.

- The City is monitoring the current economic situation and its effect on revenue trends. The fiscal year 2011 budget projects the collections for certain revenue sources, such as intangible tax, building permits and development fees, will be the same as fiscal year 2010.

All of these factors were taken into consideration when preparing the 2011 budget. The City maintained a conservative approach during the preparation of the 2011 budget focusing on operational cost control and maintaining a strong fund balance.

REQUESTS FOR INFORMATION

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

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



BASIC FINANCIAL STATEMENTS



CITY OF MILTON, GEORGIA

STATEMENT OF NET ASSETS SEPTEMBER 30, 2010

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,075,990
Accounts receivable	1,456,497
Taxes receivable	9,666,076
Due from other governments	132,361
Prepays	182,659
Capital assets:	
Nondepreciable	4,966,061
Depreciable, net of accumulated depreciation	33,302,887
 Total assets	 <u>55,782,531</u>
LIABILITIES	
Accounts payable	727,547
Accrued liabilities	359,384
Deposits payable	163,388
Unearned revenue	46,593
Compensated absences, due within one year	460,021
Claims and judgments, due within one year	101,463
Notes payable, due within one year	662,621
Notes payable, due in more than one year	1,107,853
 Total liabilities	 <u>3,628,870</u>
NET ASSETS	
Invested in capital assets, net of related debt	36,498,474
Unrestricted	15,655,187
 Total net assets	 <u>\$ 52,153,661</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, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Primary government:					
Governmental activities:					
General government	\$ 3,659,341	\$ 391,260	\$ -	\$ -	\$ (3,268,081)
Judicial	608,784	593,289	-	-	(15,495)
Public safety	7,893,897	828,686	131,058	-	(6,934,153)
Public works	3,100,250	139,998	-	180,420	(2,779,832)
Culture and recreation	164,925	2,250	20,108	-	(142,567)
Housing and development	899,383	102,522	-	-	(796,861)
Interest on long-term debt	61,315	-	-	-	(61,315)
Total governmental activities	<u>16,387,895</u>	<u>2,058,005</u>	<u>151,166</u>	<u>180,420</u>	<u>(13,998,304)</u>
Total primary government	<u>\$ 16,387,895</u>	<u>\$ 2,058,005</u>	<u>\$ 151,166</u>	<u>\$ 180,420</u>	<u>(13,998,304)</u>
General revenues:					
Property taxes					9,696,611
Sales taxes					3,900,468
Hotel/Motel taxes					45,728
Franchise taxes					1,955,659
Business taxes					1,422,953
Unrestricted investment earnings					36,221
Miscellaneous revenues					49,436
Total general revenues					<u>17,107,076</u>
Change in net assets					3,108,772
Net assets, beginning of year					49,044,889
Net assets, end of year					<u>\$ 52,153,661</u>

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



CITY OF MILTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010**

ASSETS	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 104,132	\$ 4,918,411	\$ 1,053,447	\$ 6,075,990
Accounts receivable	842,372	468,946	145,179	1,456,497
Taxes receivable	9,657,720	-	8,356	9,666,076
Intergovernmental receivable	9,803	-	122,558	132,361
Due from other funds	49,506	552,649	2,628	604,783
Prepays	182,659	-	-	182,659
Total assets	\$ 10,846,192	\$ 5,940,006	\$ 1,332,168	\$ 18,118,366
LIABILITIES				
Accounts payable	\$ 508,925	\$ 189,823	\$ 28,799	\$ 727,547
Accrued liabilities	321,462	-	-	321,462
Due to other funds	552,649	-	52,134	604,783
Deposits payable	163,388	-	-	163,388
Deferred revenue	1,453,767	1,187	26,544	1,481,498
Total liabilities	3,000,191	191,010	107,477	3,298,678
FUND BALANCES				
Fund balances:				
Reserved for prepaids	182,659	-	-	182,659
Reserved for special events	-	-	12,828	12,828
Reserved for Bell Memorial Park	-	51,506	-	51,506
Unreserved, designated for:				
Sidewalks	-	70,558	-	70,558
Tree recompense	-	12,800	-	12,800
Unreserved, reported in:				
General fund	7,663,342	-	-	7,663,342
Special revenue funds	-	-	382,734	382,734
Capital projects funds	-	5,614,132	829,129	6,443,261
Total fund balances	7,846,001	5,748,996	1,224,691	14,819,688
Total liabilities and fund balances	\$ 10,846,192	\$ 5,940,006	\$ 1,332,168	
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 38,268,948</p> <p> Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (2,369,880)</p> <p> Some revenues are not available in the current period and, therefore, are deferred in the funds. 1,434,905</p> <p>Net assets of governmental activities <u>\$ 52,153,661</u></p>				

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, 2010

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 16,622,128	\$ -	\$ -	\$ 16,622,128
Sales taxes	3,989,025	-	-	3,989,025
Hotel/Motel taxes	-	-	45,728	45,728
Franchise taxes	1,825,744	68,738	-	1,894,482
Business taxes	1,422,953	-	-	1,422,953
Licenses and permits	268,122	-	-	268,122
Charges for services	269,516	175,215	783,540	1,228,271
Fines and forfeitures	593,289	-	-	593,289
Intergovernmental	-	-	369,835	369,835
Contributions	3,370	-	19,092	22,462
Interest earned	23,591	8,757	3,873	36,221
Miscellaneous	49,436	-	-	49,436
Total revenues	<u>25,067,174</u>	<u>252,710</u>	<u>1,222,068</u>	<u>26,541,952</u>
Expenditures:				
Current:				
General government	3,531,615	33,556	36,252	3,601,423
Judicial	235,252	-	-	235,252
Public safety	6,248,070	24,986	843,147	7,116,203
Public works	1,702,796	1,184,314	196,645	3,083,755
Culture and recreation	135,109	18,366	-	153,475
Housing and development	866,124	17,823	-	883,947
Capital outlay	-	976,587	-	976,587
Debt service:				
Principal	637,831	-	-	637,831
Interest	78,710	-	-	78,710
Total expenditures	<u>13,435,507</u>	<u>2,255,632</u>	<u>1,076,044</u>	<u>16,767,183</u>
Excess (deficiency) of revenues over expenditures	<u>11,631,667</u>	<u>(2,002,922)</u>	<u>146,024</u>	<u>9,774,769</u>
Other financing sources (uses):				
Proceeds from debt issuance	-	439,298	-	439,298
Transfers in	5,645	2,412,511	76,309	2,494,465
Transfers out	(2,448,820)	-	(45,645)	(2,494,465)
Total other financing sources (uses)	<u>(2,443,175)</u>	<u>2,851,809</u>	<u>30,664</u>	<u>439,298</u>
Net change in fund balances	<u>9,188,492</u>	<u>848,887</u>	<u>176,688</u>	<u>10,214,067</u>
Fund balances (deficits), beginning of year, restated	<u>(1,342,491)</u>	<u>4,900,109</u>	<u>1,048,003</u>	<u>4,605,621</u>
Fund balances, end of year	<u>\$ 7,846,001</u>	<u>\$ 5,748,996</u>	<u>\$ 1,224,691</u>	<u>\$ 14,819,688</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, 2010

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

Net change in fund balances - total governmental funds	\$ 10,214,067
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.	(224,696)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,943,822)
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.	198,533
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>(135,310)</u>
Change in net assets - governmental activities	<u>\$ 3,108,772</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, 2010

	ASSETS	Municipal Court Fund
Cash		\$ 118,587
Accounts receivable		213
	Total assets	<u>\$ 118,800</u>
	LIABILITIES	
Due to others		<u>\$ 118,800</u>
	Total liabilities	<u>\$ 118,800</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, 2010

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. 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.

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.



NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2010, 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, 2010, 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, 2010, 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, Equipment, and Other	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 \$2,369,880 difference are as follows:

Notes payable	\$	(1,770,474)
Compensated absences (i.e., vacation)		(460,021)
Claims and judgments payable		(101,463)
Accrued interest		<u>(37,922)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	<u><u>(2,369,880)</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 \$224,696 difference are as follows:

Capital outlay	\$ 929,073
Depreciation expense	<u>(1,153,769)</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>\$ (224,696)</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 \$198,533 difference are as follows:

Payments of notes payable	\$ 637,831
Issuance of notes payable	<u>(439,298)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u>\$ 198,533</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 \$135,310 difference are as follows:

Compensated absences (i.e., vacation)	\$ (51,242)
Claims and judgments	(101,463)
Accrued interest	17,395
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>	\$ (135,310)

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 funds had excesses of actual expenditures over appropriations for the fiscal period ended September 30, 2010:

Operating Grant	\$ 2,563
Hotel/Motel Tax Fund	2,145

These over expenditures were funded by excess revenues over budgeted amounts.



NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS

Total deposits as of September 30, 2010 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	\$	6,075,990
Statement of Fiduciary Net Assets:		
Cash - Agency fund		118,587
	<u>\$</u>	<u>6,194,577</u>
Cash deposited with financial institutions	<u>\$</u>	<u>6,194,577</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, 2010, all of the City's bank balances were adequately insured and collateralized as defined by GASB and State statutes.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City contracts with Fulton County to bill and collect the City's property taxes. The taxes were levied on August 30 based on the assessed value of property as listed on January 1 and were due on October 31, which was 60 days following the billing date. Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

Receivables at September 30, 2010, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>
Receivables:			
Accounts	\$ 842,372	\$ 468,946	\$ 145,179
Taxes	9,926,065	-	8,356
Intergovernmental	9,803	-	122,558
Total receivables	10,778,240	468,946	276,093
Less allowance for uncollectible	268,345	-	-
Net total receivable	\$ 10,509,895	\$ 468,946	\$ 276,093



NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2010 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	1,097,000	-	-	1,097,000
Total	<u>4,966,061</u>	<u>-</u>	<u>-</u>	<u>4,966,061</u>
Capital assets, being depreciated:				
Buildings	308,077	-	-	308,077
Infrastructure	33,637,904	-	-	33,637,904
Vehicles, equipment, and other	2,999,275	929,073	-	3,928,348
Total	<u>36,945,256</u>	<u>929,073</u>	<u>-</u>	<u>37,874,329</u>
Less accumulated depreciation for:				
Buildings	(49,273)	(19,597)	-	(68,870)
Infrastructure	(2,586,233)	(749,483)	-	(3,335,716)
Vehicles, equipment, and other	(782,167)	(384,689)	-	(1,166,856)
Total	<u>(3,417,673)</u>	<u>(1,153,769)</u>	<u>-</u>	<u>(4,571,442)</u>
Total capital assets being depreciated, net	<u>33,527,583</u>	<u>(224,696)</u>	<u>-</u>	<u>33,302,887</u>
Governmental activities capital assets, net	<u>\$ 38,493,644</u>	<u>\$ (224,696)</u>	<u>\$ -</u>	<u>\$ 38,268,948</u>

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

Governmental activities:	
General government	\$ 5,602
Public safety	373,532
Public works	756,644
Culture and recreation	7,571
Housing and development	10,420
Total depreciation expense - governmental activities	<u>\$ 1,153,769</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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.

During the year ended September 30, 2010, the City entered into an agreement through a financial institution to borrow \$439,298 for the purchase of vehicles and equipment for the police and fire departments. The total borrowing is broken into two separate notes as follows:

<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Annual Payment</u>
\$ 20,500	3.90 %	February 2012	\$ 7,147
418,798	2.74	October 2015	90,768

The debt service requirements to maturity are as follows:

Fiscal year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 662,621	\$ 53,919	\$ 716,540
2012	768,348	38,962	807,310
2013	81,466	9,302	90,768
2014	83,698	7,070	90,768
2015	85,992	4,777	90,769
2016	88,349	2,421	90,770
	<u>\$ 1,770,474</u>	<u>\$ 116,451</u>	<u>\$ 1,886,925</u>



NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 1,969,007	\$ 439,298	\$ (637,831)	\$ 1,770,474	\$ 662,621
Claims and judgments payable	-	101,463	-	101,463	101,463
Compensated absences	408,779	762,627	(711,385)	460,021	460,021
Governmental activities Long-term liabilities	<u>\$ 2,377,786</u>	<u>\$ 1,303,388</u>	<u>\$ (1,349,216)</u>	<u>\$ 2,331,958</u>	<u>\$ 1,224,105</u>

Compensated absences and claims and judgments are generally liquidated by the General Fund. The City has reported 100% of the compensated absence liability as due in one year, as the City continues to grow and expects employees to use earned vacation within one year.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 552,649
General Fund	Non-major governmental funds	49,506
Non-major governmental funds	Non-major governmental funds	2,628
		<u>\$ 604,783</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 2,412,511
Non-major governmental funds	General Fund	36,309
Non-major governmental funds	Non-major governmental funds	40,000
General Fund	Non-major governmental funds	5,645
		\$ 2,494,465

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

NOTE 9. 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.

For the fiscal year ended September 30, 2010, contractual commitments on uncompleted contracts were \$1,100,000.

NOTE 10. 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.



NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (continued)

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 one year. Benefits vest after seven years of service. A City employee may retire at age 65 with seven years of service. The benefit is calculated based on total years of service and a 2.75% multiplier times their final average earnings for the 5 highest consecutive years of service. An employee may elect early retirement at age 55 at a reduced benefit provided they have 10 years of service.

At January 1, 2010, the date of the most recent actuarial valuation, there were 79 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 2010, the actuarially determined contribution rate was 3.54% of covered payroll.

For 2010, the City's recommended contribution and annual pension cost was \$114,150. Actual contributions totaled \$114,150. The recommended contribution was determined as part of the May 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include an 7.75% rate of return on investments and projected salary increases of 3.5%. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2008, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over the Plan's life to date. Employees are required to contribute 3.00% of their compensation to the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following is a schedule of funding progress:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/2010	\$ 518,803	\$ 643,516	\$ 124,713	80.6 %	\$ 3,789,764	3.3 %

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 January 1, 2010.

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Asset
2008	\$ 115,606	\$ 115,606	100.0 %	\$ -
2009	96,578	96,578	100.0 %	-
2010	114,150	114,150	100.0 %	-

NOTE 11. 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, 2010, there were 123 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, 2010, employer and employee contributions to the Plan were \$219,659.



NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

The City of Milton's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution plan. The Plan is administered by ICMA-RC for all full time employees. At September 30, 2010, there were 84 plan members. Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS. The City matches at a rate of 50% of the employee's contribution up to 1% of the employee's salary. For the fiscal year ending September 30, 2010, the contributions to the Plan were \$131,498 by the employees and \$24,791 by the City.

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of 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 13. 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, 2010, the City had \$45,728 in hotel/motel tax revenues, of which \$45,645 were transferred to the General Fund and Special Events Fund to be used for City operations.

NOTE 14. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (CONTINUED)

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 coverage in the last three years.

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

NOTE 15. PRIOR PERIOD ADJUSTMENT

The City has determined that a restatement of beginning fund balance of the General Fund is necessary to properly recognize revenues earned and available as of September 30, 2009 but improperly reported as deferred revenue. This adjustment resulted in changes to the beginning fund balance of the General Fund, as follows:

	General Fund
Fund balance, as previously reported	\$ (1,600,656)
Adjustments to recognize HTRG Credit revenues	258,165
Fund balance, as restated	<u>\$ (1,342,491)</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, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 9,953,549	\$ 16,417,575	\$ 16,622,128	\$ 204,553
Sales taxes	3,654,000	3,827,000	3,989,025	162,025
Franchise taxes	1,700,000	1,700,000	1,825,744	125,744
Business taxes	1,450,000	1,437,658	1,422,953	(14,705)
Licenses and permits	216,210	257,430	268,122	10,692
Charges for services	326,160	261,020	269,516	8,496
Fines and forfeitures	452,500	502,500	593,289	90,789
Contributions	-	3,370	3,370	-
Interest earned	20,000	20,000	23,591	3,591
Miscellaneous	37,802	38,437	49,436	10,999
Total revenues	<u>17,810,221</u>	<u>24,464,990</u>	<u>25,067,174</u>	<u>602,184</u>
Expenditures:				
Current:				
General government:				
Mayor and council	198,489	240,764	201,146	39,618
City manager	395,023	307,514	256,736	50,778
General administration	482,415	518,215	479,527	38,688
Finance department	1,029,285	741,257	694,769	46,488
Legal services	232,120	240,000	229,397	10,603
City clerk	531,485	305,607	283,692	21,915
Information technology	1,041,333	809,843	791,599	18,244
Human resources	334,251	231,545	206,264	25,281
Risk management	195,252	175,621	170,607	5,014
Public information	493,811	220,192	217,878	2,314
Total general government	<u>4,933,464</u>	<u>3,790,558</u>	<u>3,531,615</u>	<u>258,943</u>
Judicial:				
Municipal court	244,982	274,801	235,252	39,549
Total municipal court	<u>244,982</u>	<u>274,801</u>	<u>235,252</u>	<u>39,549</u>
Public safety:				
Police department	2,583,623	2,467,242	2,381,086	86,156
Fire department	4,189,001	4,081,447	3,734,734	346,713
EMS operations	132,250	132,250	132,250	-
Total public safety	<u>6,904,874</u>	<u>6,680,939</u>	<u>6,248,070</u>	<u>432,869</u>
Public works	<u>2,024,601</u>	<u>1,994,230</u>	<u>1,702,796</u>	<u>291,434</u>
Culture and recreation	<u>140,339</u>	<u>142,435</u>	<u>135,109</u>	<u>7,326</u>
Housing and development	<u>1,379,700</u>	<u>930,373</u>	<u>866,124</u>	<u>64,249</u>
Debt service:				
Principal	630,831	637,831	637,831	-
Interest	78,564	78,710	78,710	-
Total debt service	<u>709,395</u>	<u>716,541</u>	<u>716,541</u>	<u>-</u>
Total expenditures	<u>16,337,355</u>	<u>14,529,877</u>	<u>13,435,507</u>	<u>1,094,370</u>
Excess of revenues over expenditures	<u>1,472,866</u>	<u>9,935,113</u>	<u>11,631,667</u>	<u>1,696,554</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, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources (uses):				
Transfers in	7,000	3,500	5,645	2,145
Transfers out	(1,479,866)	(2,650,612)	(2,448,820)	201,792
Total other financing sources (uses)	(1,472,866)	(2,647,112)	(2,443,175)	203,937
Net change in fund balances	-	7,288,001	9,188,492	1,900,491
Fund balances (deficits), beginning of year, restated	(1,342,491)	(1,342,491)	(1,342,491)	-
Fund balances (deficits), end of year	\$ (1,342,491)	\$ 5,945,510	\$ 7,846,001	\$ 1,900,491

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
1/1/10	\$ 518,803	\$ 643,516	\$ 124,713	80.6%	\$ 3,789,764	3.3%
5/1/09	321,559	417,370	95,811	77.0%	3,221,692	3.0%
5/1/08	177,182	222,269	45,087	79.7%	2,773,883	1.6%
5/1/07	-	204,487	204,487	0.0%	3,217,000	6.4%

NOTE: See assumptions used for the Schedule of Funding Progress in Note 10 to the financial statements.



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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



CITY OF MILTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Special Events Fund	Confiscated Assets Fund	Emergency 911 Fund	Operating Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	
ASSETS							
Cash	\$ 41,858	\$ 39,402	\$ 198,694	\$ -	\$ -	\$ 773,493	\$ 1,053,447
Accounts receivable	-	-	145,179	-	-	-	145,179
Intergovernmental receivables	-	-	-	15,890	-	106,668	122,558
Taxes receivable	-	-	-	-	8,356	-	8,356
Due from other funds	2,628	-	-	-	-	-	2,628
Total assets	\$ 44,486	\$ 39,402	\$ 343,873	\$ 15,890	\$ 8,356	\$ 880,161	\$ 1,332,168
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 283	\$ 488	\$ -	\$ -	\$ -	\$ 28,028	\$ 28,799
Due to other funds	-	31,394	-	12,467	8,273	-	52,134
Deferred revenue	-	-	3,540	-	-	23,004	26,544
Total liabilities	283	31,882	3,540	12,467	8,273	51,032	107,477
FUND BALANCES							
Reserved for special events	12,828	-	-	-	-	-	12,828
Unreserved	31,375	7,520	340,333	3,423	83	829,129	1,211,863
Total fund balances	44,203	7,520	340,333	3,423	83	829,129	1,224,691
Total liabilities and fund balances	\$ 44,486	\$ 39,402	\$ 343,873	\$ 15,890	\$ 8,356	\$ 880,161	\$ 1,332,168

CITY OF MILTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Special Events Fund	Confiscated Assets Fund	Emergency 911 Fund	Operating Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 45,728	\$ -	\$ 45,728
Intergovernmental	-	-	-	128,704	-	241,131	369,835
Charges for services	-	-	783,540	-	-	-	783,540
Contributions	19,092	-	-	-	-	-	19,092
Interest	94	79	598	259	-	2,843	3,873
Total revenues	19,186	79	784,138	128,963	45,728	243,974	1,222,068
EXPENDITURES							
Current:							
General government	35,236	-	-	1,016	-	-	36,252
Public safety	-	36,369	619,777	161,441	-	25,560	843,147
Public works	-	-	-	-	-	196,645	196,645
Total expenditures	35,236	36,369	619,777	162,457	-	222,205	1,076,044
Excess (deficiency) of revenues over expenditures	(16,050)	(36,290)	164,361	(33,494)	45,728	21,769	146,024
OTHER FINANCING SOURCES (USES)							
Transfers in	40,000	-	-	33,753	-	2,556	76,309
Transfers out	-	-	-	-	(45,645)	-	(45,645)
Total other financing sources (uses)	40,000	-	-	33,753	(45,645)	2,556	30,664
Net change in fund balances	23,950	(36,290)	164,361	259	83	24,325	176,688
FUND BALANCES, beginning of year	20,253	43,810	175,972	3,164	-	804,804	1,048,003
FUND BALANCES, end of year	\$ 44,203	\$ 7,520	\$ 340,333	\$ 3,423	\$ 83	\$ 829,129	\$ 1,224,691



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, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Contributions	\$ 5,000	\$ 5,000	\$ 19,092	\$ 14,092
Interest	-	-	94	94
Total revenues	5,000	5,000	19,186	14,186
Expenditures:				
General government	45,000	45,000	35,236	9,764
Total expenditures	45,000	45,000	35,236	9,764
Deficiency of revenues over expenditures	(40,000)	(40,000)	(16,050)	23,950
OTHER FINANCING SOURCES				
Transfers in	40,000	40,000	40,000	-
Total other financing sources	40,000	40,000	40,000	-
Net change in fund balances	-	-	23,950	23,950
Fund balances, beginning of year	20,253	20,253	20,253	-
Fund balances, end of year	\$ 20,253	\$ 20,253	\$ 44,203	\$ 23,950

CITY OF MILTON, GEORGIA

**CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Interest	\$ 85	\$ 85	\$ 79	\$ (6)
Total revenues	85	85	79	(6)
Expenditures:				
Public safety	43,895	43,895	36,369	7,526
Total expenditures	43,895	43,895	36,369	7,526
Net change in fund balances	(43,810)	(43,810)	(36,290)	7,520
Fund balances, beginning of year	43,810	43,810	43,810	-
Fund balances, end of year	\$ -	\$ -	\$ 7,520	\$ 7,520



CITY OF MILTON, GEORGIA

**EMERGENCY 911 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 700,000	\$ 700,000	\$ 783,540	\$ 83,540
Interest	-	-	598	598
Total revenues	700,000	700,000	784,138	84,138
Expenditures:				
Public safety	638,231	660,231	619,777	40,454
Total expenditures	638,231	660,231	619,777	40,454
Net change in fund balances	61,769	39,769	164,361	124,592
Fund balances, beginning of year	175,972	175,972	175,972	-
Fund balances, end of year	<u>\$ 237,741</u>	<u>\$ 215,741</u>	<u>\$ 340,333</u>	<u>\$ 124,592</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, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 85,934	\$ 127,298	\$ 128,704	\$ 1,406
Interest	-	-	259	259
Total revenues	85,934	127,298	128,963	1,665
Expenditures:				
General government	-	1,016	1,016	-
Public safety	118,530	158,878	161,441	(2,563)
Housing and development	20,000	-	-	-
Total expenditures	138,530	159,894	162,457	(2,563)
Deficiency of revenues over expenditures	(52,596)	(32,596)	(33,494)	(898)
OTHER FINANCING SOURCES				
Transfers in	52,596	32,596	33,753	1,157
Total other financing sources	52,596	32,596	33,753	1,157
Net change in fund balances	-	-	259	259
Fund balances, beginning of year	3,164	3,164	3,164	-
Fund balances, end of year	<u>\$ 3,164</u>	<u>\$ 3,164</u>	<u>\$ 3,423</u>	<u>\$ 259</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, 2010**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 47,000	\$ 43,500	\$ 45,728	\$ 2,228
Total revenues	47,000	43,500	45,728	2,228
Other financing uses:				
Transfers out	(47,000)	(43,500)	(45,645)	(2,145)
Total other financing uses	(47,000)	(43,500)	(45,645)	(2,145)
Net change in fund balances	-	-	83	83
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 83	\$ 83



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, 2010

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2010</u>
MUNICIPAL COURT FUND				
Assets:				
Cash	\$ 144,643	\$ 976,782	\$ 1,002,838	\$ 118,587
Accounts receivable	-	213	-	213
Total assets	<u>\$ 144,643</u>	<u>\$ 976,995</u>	<u>\$ 1,002,838</u>	<u>\$ 118,800</u>
Liabilities:				
Due to others	<u>\$ 144,643</u>	<u>\$ 976,995</u>	<u>\$ 1,002,838</u>	<u>\$ 118,800</u>

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Milton’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

	<u>Page</u>
Financial Trends	42-45
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity	46-49
These schedules contain information to help the reader assess the government’s most significant local revenue source, property tax.	
Debt Capacity	49-50
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	51
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	52-55
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The government implemented GASB Statement 34 in 2007 which was the City’s first year of incorporation; schedules presented include information beginning in that year.



CITY OF MILTON, GEORGIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 36,498,474	\$ 36,524,637	\$ 36,964,310	\$ 32,923,814
Unrestricted	15,655,187	12,520,252	10,527,209	3,035,336
Total primary government net assets	<u>\$ 52,153,661</u>	<u>\$ 49,044,889</u>	<u>\$ 47,491,519</u>	<u>\$ 35,959,150</u>

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



CITY OF MILTON, GEORGIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses				
General government	\$ 3,659,341	\$ 4,588,792	\$ 4,171,595	\$ 3,683,192
Judicial	608,784	538,008	546,447	332,251
Public safety	7,893,897	7,261,031	6,457,721	6,312,297
Public works	3,100,250	4,468,962 (4)	2,552,092	2,714,572
Culture and recreation	164,925	167,788	270,663	20,518
Housing and development	899,383	1,720,486	1,501,911	941,621
Interest on long-term debt	61,315	119,315	258,286	220,331
Total expenses	<u>\$ 16,387,895 (9)</u>	<u>\$ 18,864,382</u>	<u>\$ 15,758,715</u>	<u>\$ 14,224,782</u>
Program revenues				
Charges for services:				
General government	\$ 391,260	\$ 254,806	\$ 216,151	\$ 176,761
Judicial	593,289	669,896	647,693	235,860
Public safety	828,686	813,042 (5)	48,220	4,717
Public works	139,998	187,468 (6)	290,144	230,608
Culture and recreation	2,250	-	-	-
Housing and development	102,522	174,492 (7)	323,149	255,758
Operating grants and contributions	151,166	119,099 (8)	14,621	27,752
Capital grants and contributions	180,420	424,745	4,523,803 (1)	114,337
Total program revenues	<u>\$ 2,389,591</u>	<u>\$ 2,643,548</u>	<u>\$ 6,063,781</u>	<u>\$ 1,045,793</u>
Net (expense) revenue	<u>\$ (13,998,304)</u>	<u>\$ (16,220,834)</u>	<u>\$ (9,694,934)</u>	<u>\$ (13,178,989)</u>
General Revenues and Other Changes in Net Assets				
Taxes				
Property taxes	\$ 9,696,611	\$ 10,328,547	\$ 10,132,567	\$ 9,200,065
Sales taxes	3,900,468	3,708,300	4,318,839	3,700,463
Other taxes	3,424,340	3,382,810	2,396,221	1,770,328
Unrestricted intergovernmental revenue	-	-	4,176,896 (2)	-
Unrestricted investment earnings	36,221	53,168	129,092	112,303
Miscellaneous revenues	49,436	301,379 (3)	73,688	30,677
Special item - donation of infrastructure at incorporation	-	-	-	32,171,846
Total	<u>\$ 17,107,076</u>	<u>\$ 17,774,204</u>	<u>\$ 21,227,303</u>	<u>\$ 46,985,682</u>
Change in Net Assets	<u>\$ 3,108,772</u>	<u>\$ 1,553,370</u>	<u>\$ 11,532,369</u>	<u>\$ 33,806,693</u>

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

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

- (1) Increase is a result of donated infrastructure from developers.
- (2) Increase is a result of intergovernmental revenues from the County due to the passage of Senate Bill 154 requiring the County to track revenues and expenditures, since 2005, in the unincorporated areas of Fulton County, including what is now incorporated City of Milton.
- (3) Increase is a result of the City's write-off of deferred lease abatements, due to the termination of lease agreement.
- (4) Increase is due to infrastructure maintenance projects started during fiscal year 2009.
- (5) Increase is due to fiscal year 2009 being the first year of E911 collections
- (6) Decrease is due to an overall decrease in landfill fees in fiscal year 2009
- (7) Decrease is due to a downturn in construction development in fiscal year 2009
- (8) Increase is due to the City receiving the SAFER grant in the fourth quarter of fiscal year 2008, with a majority of the grant revenues being recognized in fiscal year 2009
- (9) Overall decrease is due to the termination of a public/private partnership agreement and bringing services in-house.



CITY OF MILTON, GEORGIA

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

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Hotel/Motel Taxes</u>	<u>Franchise Taxes</u>	<u>Business Taxes</u>	<u>Total</u>
2007	\$ 9,200,065	\$ 3,700,463	\$ 45,764	\$ 1,147,016	\$ 577,548	\$ 14,670,856
2008	10,132,567	4,318,839	60,600	1,719,032	616,589	16,847,627
2009	10,328,547	3,708,200 (2)	46,349 (2)	1,870,788	1,465,583 (1)	17,419,467
2010	9,696,611	3,900,468	45,728	1,955,659	1,422,953	17,021,419

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

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

CITY OF MILTON, GEORGIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund				
Reserved	\$ 182,659	\$ 355,136	\$ 159,933	\$ 129,196
Unreserved	7,663,342	(1,955,792) (2)	6,967,755 (1)	1,722,643
Total general fund	<u>\$ 7,846,001</u>	<u>\$ (1,600,656)</u>	<u>\$ 7,127,688</u>	<u>\$ 1,851,839</u>
All Other Governmental Funds				
Reserved	\$ 64,334	\$ 13,550	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	382,734	229,649	6,026	15,277
Capital projects funds	6,526,619 (3)	5,704,913 (3)	2,614,252 (3)	586,999
Total all other governmental funds	<u>\$ 6,973,687</u>	<u>\$ 5,948,112</u>	<u>\$ 2,620,278</u>	<u>\$ 602,276</u>

- (1) The City's operations have grown during 2008, its first full year of operation. The 2007 period was only 10 months.
- (2) The deficit in the General Fund fund balance for 2009 is the result of the late billing of property taxes.
- (3) The increase in the fund balance for the Capital Projects Fund is attributable to transfers in from the General Fund to fund future capital projects.



CITY OF MILTON, GEORGIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues				
Taxes	\$ 23,974,316 (4)	\$ 10,020,700 (2)	\$ 16,587,656	\$ 13,841,760
Licenses and permits	268,122	238,976	398,164	325,104
Intergovernmental	369,835	392,396	4,188,146 (1)	-
Charges for services	1,228,271	1,274,640	649,946	396,393
Fines and forfeitures	593,289	549,684	477,247	182,207
Contributions	22,462	14,734	52,284	130,839
Interest earned	36,221	53,168	129,092	112,303
Miscellaneous	49,436	301,379	73,688	30,677
Total revenues	<u>26,541,952</u>	<u>12,845,677</u>	<u>22,556,223</u>	<u>15,019,283</u>
Expenditures				
Current:				
General government	3,601,423	4,587,252	4,166,630	3,668,160
Judicial	235,252	538,008	546,447	332,251
Public safety	7,116,203	6,777,696	6,124,142	8,940,582
Public works	3,083,755	3,719,544 (3)	1,802,422	1,674,951
Culture and recreation	153,475	160,217	263,092	34,707
Housing and development	883,947	1,720,486	1,501,911	941,621
Capital outlay	976,587	-	-	-
Debt service:				
Principal	637,831	606,626	594,161	-
Interest	78,710	136,358	263,567	142,690
Total expenditures	<u>16,767,183</u>	<u>18,246,187</u>	<u>15,262,372</u>	<u>15,734,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,774,769</u>	<u>(5,400,510)</u>	<u>7,293,851</u>	<u>(715,679)</u>
Other Financing Sources (Uses)				
Issuance of long term debt	439,298	-	-	3,169,794
Transfers in	2,494,465	4,468,083	2,024,010	435,764
Transfers out	(2,494,465)	(4,468,083)	(2,024,010)	(435,764)
Total other financing sources (uses)	<u>439,298</u>	<u>-</u>	<u>-</u>	<u>3,169,794</u>
Net change in fund balances	<u>\$ 10,214,067</u>	<u>\$ (5,400,510)</u>	<u>\$ 7,293,851</u>	<u>\$ 2,454,115</u>
Debt service as a percentage of noncapital expenditures	4.5%	4.1%	5.7%	1.1%

Note: Fiscal year 2008 was the City's first full year of operations. The 2007 period was only 10 months.
The City is gradually taking over the services provided to its citizens by Fulton County, which will result in increases to both revenues and expenditures.

- (1) Increase is a result of intergovernmental revenues from the County due to the passage of Senate Bill 154 requiring the County to track revenues and expenditures, since 2005, in the unincorporated areas of Fulton County, including what is now incorporated City of Milton.
- (2) The decrease in property taxes is caused by the County's late billings of the property taxes, thus causing much of the collections not to be available for fund level recognition.
- (3) Increase is due to infrastructure maintenance projects started in 2009.
- (4) Tax revenues are higher in FY2010 due to the collection of the 2009 and 2010 taxes during FY2010.



CITY OF MILTON, GEORGIA

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

Fiscal Year	Property Taxes	Sales Taxes	Hotel/Motel Taxes	Franchise Taxes	Business Taxes	Total
2007	\$ 8,370,969	\$ 3,700,463	\$ 45,764	\$ 1,147,016	\$ 577,548	\$ 13,841,760
2008	9,872,596	4,318,839	60,600	1,719,032	616,589	16,587,656
2009	2,963,725 (1)	3,674,165	46,439	1,870,788	1,465,583 (2)	10,020,700
2010	16,622,128 (3)	3,989,025	45,728	1,894,482	1,422,953	23,974,316

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

- (1) Property taxes were billed two months later than usual in FY2009, resulting in only one month of collections being recognized as revenue.
- (2) Fiscal year 2009 was the first year in which the City collected the insurance premium tax, which is included in Business Taxes.
- (3) Fiscal year 2010 property taxes figure includes collection of 2009 taxes, as mentioned in Note 1.

CITY OF MILTON, GEORGIA

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

Calendar Year	Real Property				Personal Property	
	Residential Property	Conservation Use Property	Commercial Property	Privately Owned Public Utilities	Motor Vehicles	Furniture, Fixtures & Equip
2007	\$ 1,675,272,460	\$ 8,615,150	\$ 206,569,990	\$ -	\$ 73,602,260	\$ 32,997,920
2008	1,736,045,560	10,186,370	256,484,210	120,560,241	98,030,130	33,507,520
2009	1,741,900,680	12,825,640	303,561,320	10,714,726 (1)	115,598,780	38,324,470
2010	1,672,820,310	13,029,220	290,104,230	10,785,887	101,093,870	38,891,340

Source: Fulton County Tax Commissioner

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

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



CITY OF MILTON, GEORGIA

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

Calendar Year	City of Milton (1)	Fulton County	School District			State	Total Direct & Overlapping Rates
			Operating Millage	Debt Service Millage	Total School District Millage		
2007	4.731	10.281	16.403	1.099	17.502	0.250	32.764
2008	4.731	10.281	16.903	1.188	18.091	0.250	33.353
2009	4.731	10.281	17.502	0.000	17.502	0.250	32.764
2010	4.731	10.281	18.502	0.000	18.502	0.250	33.764

Source: Fulton County Tax Commissioner

(1) M&O rate. No components to display.

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

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST FOUR CALENDAR YEARS**

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 115,890,870	\$ 1,881,166,910	4.731	\$ 4,702,917,275	40%
165,634,720	2,089,179,311	4.731	5,222,948,278	40%
136,024,400	2,086,901,216	4.731	5,217,253,040	40%
141,732,770	1,984,992,087	4.731	4,962,480,218	40%



CITY OF MILTON, GEORGIA
PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2010
CURRENT AND THREE YEARS AGO

Taxpayer	2010			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	\$ 20,760,000	1	1.05 %	\$ 21,372,570	1	1.14 %
Orion Milton Associates LLC	20,541,240	2	1.03			
GTE Mobilnet (Verizon)	18,200,000	3	0.92	14,926,680	4	0.79
Atlanta Preserve LLC	15,647,680	4	0.79	16,222,390	3	0.86
EQR Stoneleigh B L L C	12,600,000	5	0.63	11,866,480	5	0.63
Scott H Lee TR	10,103,280	6	0.51			
CSP Community Owner LLC	10,059,270	7	0.51			
Sentine I Realty Partners IV	9,804,240	8	0.49	8,187,960	7	0.44
First Town LLP	9,430,840	9	0.48			
Target Corporation	8,485,890	10	0.43			
Deerfield Two Owner Corp				6,111,200	8	0.32
Alta Park LLC				16,404,010	2	0.87
Falling Water Inc				5,848,240	9	0.31
Summit Properties Partnership				11,124,560	6	0.59
Atlanta Preserve II LLC				5,744,000	10	0.31
Totals	\$ 135,632,440		5.79 %	\$ 117,808,090		6.26 %

Source: Fulton County Tax Commissioner



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

Fiscal Period Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 8,369,433	\$ 7,589,313	90.7 %	\$ 758,543	\$ 8,347,856	99.7 %
2008	8,968,977	7,865,966	87.7	1,036,094	8,902,060	99.3
2009	9,094,228	1,119,192 (1)	12.3	7,896,506	9,015,698 (1)	99.1
2010	8,676,641	7,303,502	84.2	-	7,303,502	84.2

Source: City of Milton Finance Department, Tax Collectors Report

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

CITY OF MILTON, GEORGIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FOUR FISCAL YEARS

Fiscal Period Ended September 30,	Governmental Activities Notes Payable	Percentage of Personal Income (1)	Per Capita (1)
2007	\$ 3,169,794	0.16 %	\$ 110.56
2008	2,575,633	0.13	85.34
2009	1,969,007	0.09	62.14
2010	1,770,474	0.10	54.21

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

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



CITY OF MILTON, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF SEPTEMBER 30, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Fulton County School District	\$ 149,760,000	4.13	\$ 6,183,981
Total overlapping debt	\$ 149,760,000		\$ 6,183,981

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

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

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



CITY OF MILTON, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST FOUR FISCAL YEARS

Fiscal Period	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	28,671	\$ 1,923,575	\$ 67,091	37.9	7,326	3.6 %
2008	30,180	2,045,268	67,769	38.2	7,833	5.0
2009	31,689	2,169,007	68,447	38.5	8,035	8.1
2010	32,661	1,717,152	52,575	38.7	8,320	7.9

(1) Source for all data, except school enrollment and 2010 population: Georgia Power Economic Development research performed for Milton for Comprehensive Plan

(2) Source for school enrollment: Fulton County Board of Education\Public School Review

(3) Source for 2010 population: U.S. Census Bureau (preliminary numbers)

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

CITY OF MILTON, GEORGIA

PRINCIPAL EMPLOYERS CURRENT YEAR AND THREE YEARS AGO

Employer	2010			2007		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Verizon	1,628	1	23.3 %	1,606	1	21.7 %
Fulton County Board of Education	870	2	12.5	822	2	11.1
Infor Global Solutions	460	3	6.6	520	3	7.0
Wal-Mart	313	4	4.5	345	5	4.7
Fry's Electronics	300	5	4.3	350	6	4.7
Alltel	280	6	4.0	400	7	5.4
Exide Technologies	265	7	3.8	285	4	3.8
Publix	182	8	2.6	176	8	2.4
Target	173	9	2.5	-		0.0
Home Depot	137	10	2.0	130	9	1.8
City of Milton/CH2M Hill OMI				108	10	1.5
Totals	<u>4,608</u>		<u>66.0 %</u>	<u>4,742</u>		<u>64.0 %</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 FOUR FISCAL YEARS**

Function	2010	2009	2008	2007
General Government				
Elected Officials	7	7	7	7
Executive Staff	-	-	-	1
City Manager	2	3	1	2
City Clerk	3	4	4	4
Operations	10	13	12	12
Judicial	4	4	4	2
Public Safety				
Administration	2	2	3	3
Police	28	28	27	19
Fire	54	54	54	40
Civilians	3	2	2	1
Public Works				
Admin & Engineering	3	3	3	2
Highways & Streets	3	2	2	2
Culture and Recreation	1	1	1	1
Housing and Development	10	8	9	12
Total	130	131	129	108

Source: City of Milton Human Resources Department

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



CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST FOUR FISCAL YEARS

Function	2010	2009	2008	2007
General Government				
Business licenses issued	886	898	835	754
Number of property tax accounts:				
Real property	12,109	12,186	11,777	11,527
Personal property	395	575	564	461
Public utility	6	6	6	6
Ordinances adopted	29	21	32	64
Resolutions adopted	49	60	65	65
Council meeting minutes	56	48	49	44
Judicial				
Cases processed	4,889	5,660	5,580	3,219
Cases closed	5,059	5,413	5,390	2,348
Non-jury trials	164	96	175	54
Warrants issued	117	25	100	33
Public Safety				
Police (1)				
Calls for service	9,116	8,861	10,335	4,005
Alarms	2,066	1,910	2,061	850
Accidents	514	524	477	235
Traffic stops	6,294	5,645	4,916	2,350
Warnings issued	3,756	2,428	1,957	958
Tickets issued	4,061	5,034	4,761	2,359
DUIs	134	104	70	33
Traffic arrests	146	167	197	100
Drug arrests	-	58	-	-
Fire (2)				
Working structural fires	130	76	31	10
False alarm/good intent	524	636	300	222
Vehicle fires	28	19	7	6
Vegitation fires	26	46	23	5
EMS	935	838	560	393
Other rescue	43	122	24	-
Hazardous conditions/mat.	60	1	26	-
Service calls	325	318	94	98
Other calls and incidents	302	37	116	-
Community events	250	233	171	36
Building inspections	300	344	41	-
Hydrant maintenance	3,932	4,288	1,325	-

Continued



CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST FOUR FISCAL YEARS

Function	2010	2009	2008	2007
Public Works				
Work requests	1,837	2,129	509	113
Culture and Recreation				
Annual City sponsored events	9	6	5	1
Milton Roundup attendance	5,000	1,500	3,500	3,500
Participants in youth baseball	1,139	1,159	1,255	1,148
Housing and Development				
Planning & Zoning				
Zoning certification letters	5	5	7	11
Zoning modifications processed	5	3	9	7
Special use permits processed	5	2	7	10
Text amendments	4 (3)	-	-	-
Rezoning requests processed	3 (3)	-	-	-
Variances processed	22	23	39	22
Land disturbance permits	10	9	13	10
Final plats / minor plats signed	10	16	20	33
Development inspections	2,796	2,880	2,894	2,965
Building Inspections				
Building permits issued	950	979	1,835	1,545
Certificates of occupancy issued	319	272	327	343
Sign permits issued	138	55	171	151
Code Enforcement				
Code enforcement inspection	507	850	2,001	1,641
Notice of violations issued	435	240	580	465
Citations issued	2	16	69	42
Follow up inspections	243 (3)	-	-	-
Sign sweeps	5 (3)	-	-	-

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.
- (3) The City began tracking these indicators in 2010.

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 FOUR FISCAL YEARS

Function/Program	2010	2009	2008	2007
General government Vehicles	1	-	-	-
Public Safety Administration Vehicles	-	2	3	3
Police Vehicles	29	25	23	21
Fire Vehicles	9	5	6	5
Stations	3	3	3	3
Public Works Streets (miles)	158	158	158	151
Traffic signals	11	11	11	11
Flashing beacons	9	9	9	9
Vehicles	3	-	-	-
Culture and Recreation Park acreage	227	227	227	227
Recreational facilities	4	4	4	4
Parks and playgrounds	1	1	1	1
Athletic fields	4	4	4	4
Housing and Development Vehicles	3	-	-	-

Source: Various City departments.



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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 24, 2011. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2010-1 through 2010-3, 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 24, 2011.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 24, 2011



CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 for the year ended September 30, 2010 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, 2010

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-1 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the City.

Condition: Internal controls were not sufficient to detect a material misstatement in the City's financial statements for the year ended September 30, 2009.

Context/Cause: During our audit for the year ended September 30, 2010, a material misstatement was identified by management that caused the need to restate opening fund balance (equity) for the year ended September 30, 2010. The nature and magnitude of this correction for the prior period error is as follows:

- The General fund required an adjustment of \$258,165 to properly recognize revenue for the HTRG Credit earned and available during the year ended September 30, 2009 but improperly deferred at year-end.

Effects: An audit adjustment of \$258,165 was needed to correctly report the opening fund balance for the General Fund.

Recommendation: We recommend the City carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that the financial statements are properly reported.

2010-2 Revenue and Related Receivables Recognition

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

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

Context/Cause: During our testing, an audit adjustment was required to properly record the revenues and related receivables in the General Fund.

Effects: An audit adjustment of approximately \$832,500 was needed to accrue the Insurance Premium Tax receivable and related revenue for the year ended September 30, 2010.

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



CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2010

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2010-2 Revenue and Related Receivables Recognition (Continued)

Auditee's Response: We concur with the finding. This was an isolated incident that came about as a result of the conversion to a new financial software package. This particular revenue is distributed once a year in October and was ultimately overlooked while we were preparing the books for the audit and implementing the software at the same time. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

2010-3 Expenditure Recognition

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

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

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

- The General fund required an adjustment of approximately \$44,600 to properly accrue expenditures which were incurred prior to September 30, 2010 but improperly excluded from accounts payable.
- The Capital Projects fund required an adjustment of approximately \$108,400 to properly accrue expenditures which were incurred prior to September 30, 2010 but improperly excluded from accounts payable.

Effects: Audit adjustments of approximately \$153,000 were needed to correctly recognize expenditures as of September 30, 2010.

Recommendation: We recommend the City carefully review all expenditures to ensure all necessary transactions are properly reported.

Auditee's Response: We concur with the finding. This was an isolated incident that came about as a result of the conversion to a new financial software package. Through the discovery of this finding, it became clear that the software had some programming errors for invoices that are entered through the purchasing module. This problem has been fixed and should not be an issue in the future.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

