



COMPREHENSIVE ANNUAL

FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2016



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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Prepared by:
Bernadette Harvill
Finance Director

Submitted by:
Steven Krokoff
City Manager

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SECTION



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

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, 2016. 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, 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, 2016 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 unmodified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2016. 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 tribe. 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 agricultural based community with cotton as the main crop. Devastation hit with the boll weevil infestation in the 1910s and 1920s followed by the Great Depression in the 1930s. Small counties, such as Milton, were encouraged to consolidate with larger counties in the "Bigger and Better Counties" movement. It was at this time in 1932 that Milton voters decided to merge with Fulton County.

The area remained unincorporated for 74 years until the citizens decided they wanted more local control over community decisions and the services provided. In an overwhelming show of support, 85% of the voters approved the City of Milton referendum on July 18, 2006 and on December 1, 2006, the City of Milton was incorporated. Located at the northern-most tip

of Fulton County, it occupies a land area of 38.52 square miles and serves an estimated population of 37,758, according to Georgia Power Economic Development. The City has been recognized nationally for its high quality of life and was most recently ranked the second safest city in the state of Georgia. Milton is a premier city where we strive to promote a high quality of life, create a strong sense of community and place, respect our rural heritage while guiding our future, and be the best place to call home.

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. 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; provide for the effective and efficient delivery of municipal services; and direct and supervise the administration of all departments.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and parks and recreational programs and activities. Sanitation services are provided through relationships with private operators. The City created a legally separate entity, the Public Building and Facilities Authority (PBFA), to assist with, among other things, capital funding. Financial information for the PBFA has been included within this document and additional information can be found in the Notes to the Financial Statements in Note 1A.

Milton has one of the most educated populations of any city this size in the state. Approximately 98% of the residents over the age of 25 hold at least a high school degree and 67% have a bachelor's degree or higher. More than 60% 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

The City is part of the metropolitan area of Atlanta. However, it is in a unique situation as a municipality: while largely rural and suburban in character, a portion of the City lies within the major future-growth corridor along GA 400. Approximately 86% of the land area within the City can be developed for residential

or agricultural/equestrian purposes. Only 2% of the land area is planned for commercial development. The remaining 12% of the land is comprised of right of way, wetlands, schools, cemeteries and parkland.

The City wishes to maintain its position as a distinct community with a rural equestrian character in the Atlanta region. In order to do so, Milton has geographically identified its future development areas where economic growth will occur to create a sufficient tax base for the City. These development areas include Crabapple, Deerfield/SR 9, Birmingham Crossroads and potentially the Arnold Mill Road Corridor. Preservation areas, where the Milton character can be preserved, have also been identified. It is anticipated that several methods will be used to conserve our rural areas: transfer of development rights, impact fees, conservation incentives, rural viewshed zoning, and the recently approved greenspace bond.

While commercial properties comprise only 15% of the tax digest, Milton is fortunate to have a stable list of large employers such as Verizon Wireless, the Fulton County Board of Education, Philips Healthcare, Wal-Mart and InFor Global Solutions. The residential makeup of the City consists of a median age of 38.9 years, a per capita income of \$54,139 with a median household income of \$112,523, and has a median home value of \$469,771.

STRATEGIC FINANCIAL PLANNING

Although many economic factors are largely outside of local 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 the 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 be maintained at an amount equal to two months of expenditures, which is approximately 16% of budgeted expenditures. Excess fund balances over reserve requirements will be used in subsequent periods for pay-as-you-go capital projects and one-time non-recurring expenditures.

The City of Milton maintains a flexible, yet thorough, seven-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 seven-year plan identified over \$54 million in projected expenditures through fiscal year 2023; approximately \$6.2 million of this is budgeted for the 2017 fiscal year. More than \$3.2 million is designated for public works projects such as pavement management, bridge replacement and intersection improvements. The remaining budget is slated for future replacement of public safety vehicles, city hall construction, apparatus/vehicle replacement, park land acquisition/improvement, and the creation of a unified development code.

The sustainability of the City relies on a diversification of revenue sources. As mentioned, property taxes are the largest single source of revenue with local option sales tax being a close second. Existing revenue sources are evaluated on an annual basis to ensure the underlying rate is reasonable and justifiable. Examples of revenue sources that are reevaluated annually include all user fee based revenue sources (i.e. permits, licenses, recreation fees, etc.). In the beginning of fiscal year 2016, the City began collecting impact fees on new development projects in order to offset the costs of providing City services to those new developments and the residents and businesses they bring to the City.

MAJOR INITIATIVES

During fiscal year 2016, 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.

The Police department launched an award-winning police explorers program. This program aims to educate local high school and college aged individuals interested in law enforcement

about the inter-workings of the field while providing leadership and teamwork training.



In order to meet ISO requirements and provide structural familiarity with the commercial facilities in the community, the Fire department completed a fire inspection and fire pre-emergency plan on every commercial building throughout the city. Additionally, in the fall of 2016 the department initiated the first in-house paramedic training program in order to address the future medical emergency needs of the community.

The Public Works department had several infrastructure improvement projects in various stages of construction in 2016. The addition of turn lanes and ADA compliant sidewalks at the intersection of Webb Rd and Deerfield Pkwy were completed. Construction on the roundabout at Birmingham Rd and Hopewell Rd continued with remaining guardrail and landscaping work scheduled to be completed in early 2017. Design and construction of ADA compliant sidewalks along Cogburn Rd from Rhodes Plantation to the bridge on Cogburn Rd began in 2016 (the project was completed in fall 2016). Construction of the NW Connector in Crabapple continued with an expected completion in June 2017. The design work for the Mayfield Rd sidewalk project to install sidewalks from Charlotte Rd to Broadwell Rd continued in 2016, as well. It was released for right-of-way acquisition and has an expected construction completion in the first quarter of FY 2017. The department also completed work on the process of updating the 2009 Comprehensive Transportation Plan (CTP), a long-range, multimodal transportation plan that will assess Milton's existing and future transportation needs. The CTP was adopted by City Council in December 2016.



Approximately three acres of land was purchased in 2014 in the Crabapple Community for a future City Hall site. The property fronts Branyon Trail and Lecomma Trace and is slated to include administrative offices, council chambers, meeting area for residents and a town green for expansion of special events in Crabapple. Architectural

design for the building was completed in fiscal year 2015 and construction began in fiscal year 2016. City Hall is scheduled to be open and in operation in early spring 2017. Building City Hall in this area will foster the creation of a downtown for Milton.

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, 2015. This program recognizes those governments that go beyond the minimum requirements of generally accepted accounting principles to prepare CAFRs that represent the spirit of transparency and full disclosure. This was the eighth 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.

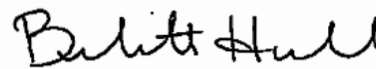
Respectfully submitted,



Steven Krokoff
City Manager



Stacey R. Inglis
Assistant City Manager



Bernadette Harvill
Finance Director



Government Finance Officers Association

**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, 2015

Executive Director/CEO

LISTING OF ELECTED OFFICIALS



MAYOR
Joe Lockwood



DISTRICT 1
Karen Thurman



DISTRICT 2
Matt Kunz



DISTRICT 3
William C. Lusk



DISTRICT 4
Burt Hewitt



DISTRICT 5
Joe Longoria



DISTRICT 6
Rick Mohrig

LISTING OF
PRINCIPAL OFFICIALS
AT SEPTEMBER 30, 2016

City Manager
Steven Krokoff

Assistant City Manager & City Treasurer
Stacey Inglis

**Assistant City Manager & Public Works
Director**
Carter Lucas

Human Resources Director
Sam Trager

Parks and Recreation Director
Jim Cregge

Community Development Director
Kathleen Field

Chief of Police
Steven Krokoff

Fire Chief
Robert Edgar

City Clerk
Sudie Gordon

Court Clerk
Brooke Lappin

Economic Development Manager
Sarah LaDart

Communications Manager
Shannon Ferguson

Finance Director
Bernadette Harvill

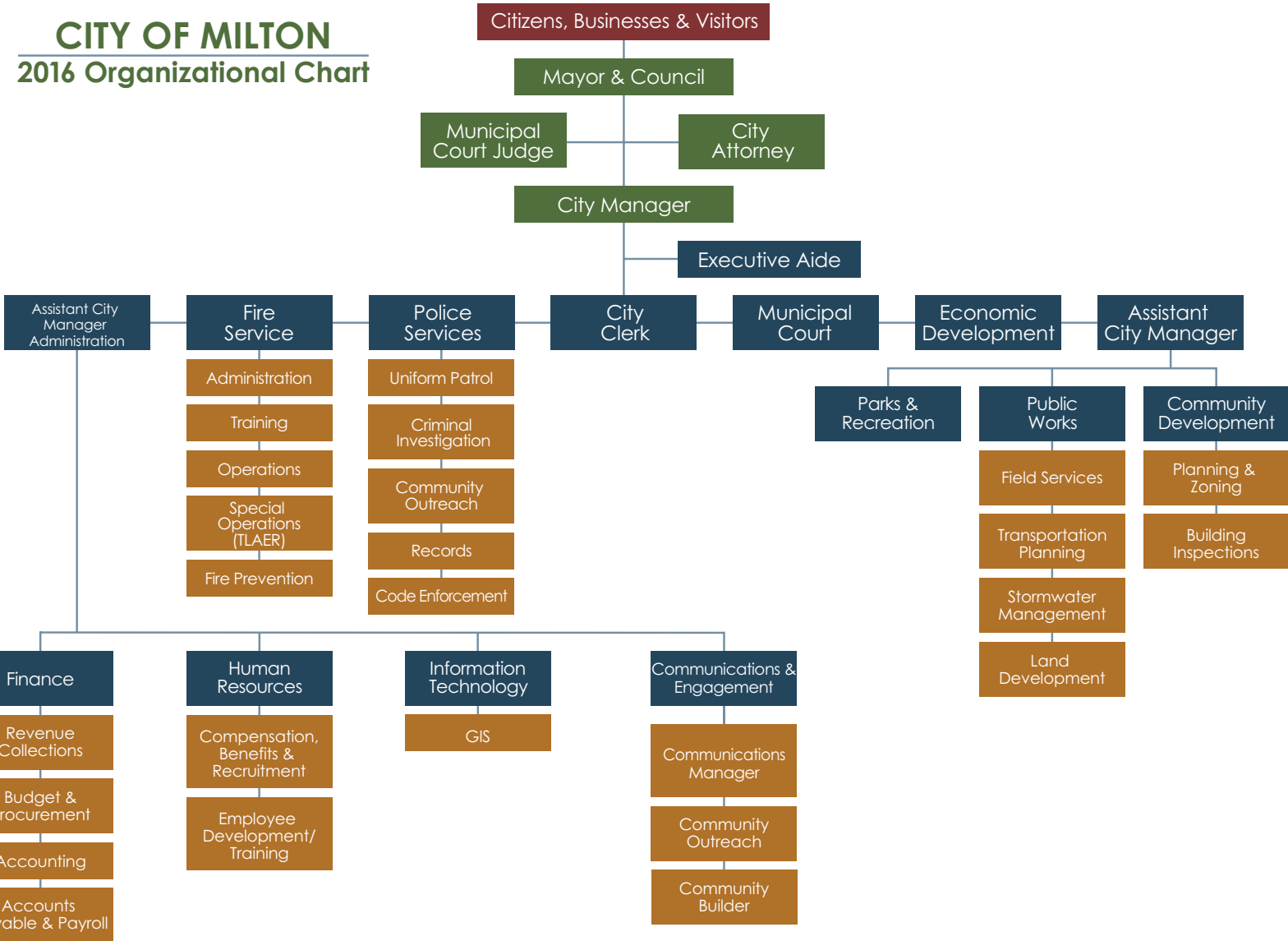
Information Technology Manager
David Frizzell

City Attorney
Ken E. Jarrard, Esq.

City Auditors
Mauldin & Jenkins, LLC

CITY OF MILTON

2016 Organizational Chart



CITY MEETINGS

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 Wednesday

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

Second Wednesday

7 p.m. in Executive Conference Room

Milton Grows Green

Regularly Scheduled Meeting

Second Thursday

6:30 p.m. in Executive Conference Room

Parks and Recreation Advisory Board

Regularly Scheduled Meeting

Third Thursday

11:30 p.m. in Executive Conference Room

SPECIAL EVENTS

April 22 – Annual Earth Day Celebration

10 a.m. to 2 p.m., City Hall

April 29 – Party on the Plaza

1 p.m. to 10 p.m., City Hall

May 6 – Milton Hometown Jubilee

4 p.m. to 9 p.m., Downtown Milton/Crabapple District

June 24 – Beach Bash

6 p.m. to 10 p.m., Bell Memorial Park

October 7 – Crabapple Fest

10 a.m. to 5 p.m., Downtown Milton/Crabapple District

For detailed information regarding Milton meetings and events, visit www.cityofmiltonga.us/calendar

FINANCIAL

SECTION





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 (the "City")**, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, Schedule of Changes in the City's Net Pension Liability and Related Ratios, and Schedule of City Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules as well as the introductory and statistical sections, 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.

Other Information (continued)

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2017

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found in the beginning of this report, as well as the financial statements and notes to the financial statements, which follow. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$87,214,972 (*total net position*). Of this amount \$21,971,873 (*unrestricted net position*) may be used to meet the ongoing obligations of the government.
- The City's total net position increased by \$7,043,063.
- As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$23,593,349, a decrease of \$34,345 from the prior year.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$6,889,862 which represents approximately 37% of the 2017 budgeted expenditures. By ordinance, the City has mandated that such balance not be less than 16% of the budgeted expenditures. This requirement allows the City to maintain an adequate reserve to cover unforeseen emergencies and/or revenue shortfalls. However, the current budgetary practice has been to reserve at least 21% for such purposes, representing \$4,462,255 at fiscal year-end. The surplus after such emergency reserve will allow the City to fund pay-as-you-go capital projects or one-time, non-recurring expenses in the amount of \$2,427,607.
- The City's total long-term debt at September 30, 2016 consists of a revenue bond to fund the construction of Bell Memorial Park and a capital lease for Fire Station 43. As of the close of the fiscal year, the balance of the long-term debt was \$10,912,155.

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 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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* reports how the City's net position changed during the current fiscal year. All changes in net position 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 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 30 and 31 of this report.

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

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

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

In 2016 the City maintained two major and six non-major governmental funds. The City's major governmental funds were the General Fund and the Capital Projects Fund. The non-major governmental funds included: the Confiscated Assets Fund, the Emergency 911 Fund, the Hotel/Motel Tax Fund, the Capital Grant Fund, the Impact Fee Fund, and the Revenue Bond Fund.

The basic governmental fund financial statements can be found on pages 32 through 34 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 35 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 37 through 61 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 63 through 67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Following is a summary of the City's net position as found on page 30 of this report.

CITY OF MILTON'S NET POSITION

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 30,509,216	\$ 31,867,896
Capital assets	75,255,355	65,567,178
Total assets	105,764,571	97,435,074
Deferred outflow of resources	1,290,134	1,034,074
	1,290,134	1,034,074
Liabilities		
Current liabilities	6,836,825	6,162,724
Non-current liabilities outstanding	13,002,908	12,070,819
Total liabilities	19,839,733	18,233,543
Deferred inflow of resources	-	63,696
	-	63,696
Net position		
Net investment in capital assets	64,343,200	46,281,992
Restricted for public safety	212,407	269,846
Restricted for public works	16,095	-
Restricted for park & trail expansion	671,394	-
Restricted for emergency 911 services	3	-
Unrestricted	21,971,873	33,620,071
Total net position	\$ 87,214,972	\$ 80,171,909

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City of Milton reported net position of \$87,214,972 at the close of the fiscal year. The largest portion of the net position (73.8%) reflects its investment in capital assets (e.g., land, land improvements, 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 capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional portion of the City's net position (1.0%) represents resources that are subject to external restrictions on how they may be used. At the close of fiscal year 2016, the City's restricted net position was \$899,899, representing:

- \$785,381 for impact fee funded projects across law enforcement (\$15,750), fire (\$82,142), public works (\$16,095) and parks & recreation (\$671,394)
- Plus an additional \$114,515 in confiscated funds for law enforcement and \$3 for emergency 911 services.

The remaining portion of the City's net position represents unrestricted net position. The statement reveals a surplus of \$21,971,873 (25.2%) at the end of this 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.

At the end of the fiscal year, the City is able to report positive balances in all three categories of net position 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 31 and reflects how the City's net position changed during the fiscal period.)

CITY OF MILTON'S CHANGES IN NET POSITION

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 4,004,041	\$ 3,341,515
Operating grants and contributions	38,380	14,530
Capital grants and contributions	1,025,050	2,881,702
General revenues:		
Property taxes	11,778,279	11,665,484
Sales taxes	8,827,604	8,700,581
Other taxes	4,874,826	4,709,152
Interest	49,473	32,197
Miscellaneous revenues	119,195	214,624
Total revenues	<u>30,716,848</u>	<u>31,559,785</u>
Expenses		
General government	3,968,796	5,217,801
Judicial	274,716	264,812
Public safety	11,443,382	11,892,288
Public works	5,028,701	4,148,056
Culture and recreation	1,827,479	1,721,516
Housing and development	780,282	811,019
Interest on long-term debt	350,429	91,967
Total expenses	<u>23,673,785</u>	<u>24,147,459</u>
Increase in net position	<u>7,043,063</u>	<u>7,412,326</u>
Net position - beginning	80,171,909	73,243,542
Prior period adjustment	-	(483,959)
Net position - beginning (restated)	<u>80,171,909</u>	<u>72,759,583</u>
Net position - ending	<u>\$ 87,214,972</u>	<u>\$ 80,171,909</u>

There was an overall increase in net position of \$7,043,063 in fiscal year 2016 (this increase is down slightly compared to the increase of \$7,412,326 in the prior year). Key elements of this change from year to year are as follows:

- Total general revenues increased by \$327,339 from fiscal year 2015 due to increases in property taxes and sales taxes.
- Total governmental program revenues decreased by \$1,170,276 primarily due to a decrease in capital grants and contributions.
- Total expenses of the governmental activities decreased by \$473,674 primarily as a result of decreases in general government and public safety.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned 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 2016, the city reported governmental funds combined ending fund balance of \$23,593,349, a decrease of \$34,345 from the prior year. Of this balance, \$15,359,556, is assigned for capital projects; \$444,032 is nonspendable for prepaids; \$212,410 is restricted for public safety; \$16,095 is restricted for public works intersection improvements; \$671,394 is restricted for future park and trail enhancements; and \$6,889,862 is considered unassigned and can be used to meet the near-term operating needs of the City.

General Fund. The General Fund is the primary operating fund. 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 total fund balance was \$7,333,894, a decrease of \$2,778,055 or 27.5%. Council approved the utilization of prior year fund balance for capital projects. As a measure of the liquidity, total fund balance represents 39.1% of 2017 budgeted expenditures.

Approximately 6.1% of total fund balance, or \$444,032, constitutes nonspendable fund balance for prepaids. The remaining 93.9% of total fund balance, or \$6,889,862, constitutes unassigned fund balance. This balance represents approximately 36.8% of 2017 budgeted expenditures. By ordinance, the City has mandated that such balance not be less than 16% of budgeted expenditures. This requirement allows the City to maintain an adequate reserve to cover unforeseen emergencies and/or revenue shortfalls. However, the current budgetary practice has been to reserve at least 21% for such purposes, representing \$3,935,419 at fiscal year-end. The surplus after such emergency reserve allows the City to fund one-time future capital expenditures totaling \$2,954,443 as part of the annual budget developed for fiscal year 2017. During 2017 budget planning, the City did not allocate surplus funds to capital expenditures.

Revenues Classified by Source - General Fund

	FY 2016		FY 2015		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
	Revenues by Source:					
Taxes	\$ 25,192,111	92.5%	\$ 24,698,794	92.1%	\$ 493,317	2.0%
Licenses and permits	784,946	2.9%	911,175	3.4%	(126,229)	-13.9%
Charges for service	561,851	2.0%	506,178	1.9%	55,673	11.0%
Fines and forfeitures	508,130	1.9%	565,331	2.1%	(57,201)	-10.1%
Other	182,519	0.7%	144,251	0.5%	38,268	26.5%
Total	\$ 27,229,557	100.0%	\$ 26,825,729	100.0%	\$ 403,828	1.5%

The following provides an explanation of the changes in revenues by source from 2015 to 2016:

- **Taxes.** From a year-to-year operational perspective, tax revenues increased by approximately \$493,317. A significant portion of the variance is attributable to general growth in property valuations and new construction resulting in a \$368,317 increase in property tax collections. Consumer spending and confidence in the economy also resulted in a \$125,000 increase in local option sales taxes.
- **Licenses and permits.** Due to the cyclical nature of development, land disturbance fees were down as the build out of parcels that were granted land disturbance permits in the prior two years continued throughout 2016.
- **Charges for service.** During fiscal year 2016, the City reopened Bell Memorial Park with new fields, trails, concession stands, and storage and maintenance buildings. This resulted in an increase in park programs and is the primary reason for the 11.0% increase shown in the table above.
- **Fines and forfeitures.** There is a decrease of \$57,201 in this revenue category. The decrease is a result of fewer tickets being issued throughout the fiscal year.
- **Other.** Other revenues increased by \$38,268 as a result of increased facility rentals at Bell Memorial Park and an increase in lease revenues from cell towers throughout the City.

Expenditures by Function - General Fund

	FY 2016		FY 2015		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
	Expenditures by Function:					
General government	\$ 3,665,105	21.0%	\$ 3,542,732	21.3%	\$ 122,373	3.5%
Judicial	275,541	1.6%	269,768	1.6%	5,773	2.1%
Public safety	9,388,012	53.9%	8,883,974	53.3%	504,038	5.7%
Public works	1,971,467	11.3%	1,866,809	11.2%	104,658	5.6%
Culture and recreation	1,187,619	6.8%	916,453	5.5%	271,166	29.6%
Housing and development	713,252	4.1%	787,190	4.7%	(73,938)	-9.4%
Debt service	220,944	1.3%	400,363	2.4%	(179,419)	-44.8%
Total	\$ 17,421,940	100.0%	\$ 16,667,289	100.0%	\$ 754,651	4.5%

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

- There was an increase of \$504,038 in public safety. A large portion of this is attributable to personnel costs, specifically an increase of approximately \$128,919 for a market adjustment to salaries. Additionally, the scheduled replacement of over 40 public safety radios to be time division multiple access (TDMA) compatible, a requirement based upon the transition to the North Fulton Regional Radio Authority's system, resulted in an increase of \$248,796.
- General government expenses went up by \$122,373. This increase is attributable to the approximately \$83,900 increase in legal fees and the approximately \$25,300 in market adjustments to salaries.
- Public works experienced an increase of \$104,658 and the community development department experienced a decrease of \$73,938 from fiscal year 15 to fiscal year 16. The increase in Public Works is attributable to the addition of an in-house GIS Manager in March of 2016 (\$35,000), the \$30,790 weighted share Milton was responsible for with regard to TSPLOST coordination, and the approximately \$14,530 for a market adjustment to public works' salaries. The overall decrease in Community Development is due to the reduction in professional fees related to the completion of the impact fee study (\$34,700) and bringing the conservation coordinator in house as a part-time city position in February of 2016 (\$21,000).
- Culture and recreation expenses increased by \$271,166. A portion of this can be attributed to the maintenance fee associated with the intergovernmental agreement (IGA) between the City of Alpharetta and the City of Milton for a regionalized park system (\$109,458) and the reopening of Bell Memorial Park. The opening of the park caused an increase in park litter removal and mowing costs totaling approximately \$100,000.
- There was a decrease in Debt Service of \$179,419 in fiscal year 16 due to the early payoff of a capital lease for the purchase of a fire truck in fiscal year 15.

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, \$18,882,220 was transferred to this fund from the General Fund. In 2016 the City decided to move the construction of City Hall from the Revenue Bond Fund to the Capital Projects Fund accounting for \$9,935,171 of the \$18,882,220 transfer. Additionally, \$890,027 from the Impact Fee Fund and \$48,666 from the Capital Grant Fund were transferred in to the Capital Projects Fund, while expenditures amounted to \$12,491,729. The operating transfers, together with additional revenues of \$344,105 resulted in an increase in fund balance of \$7,673,289, yielding a fund balance at year-end of \$14,897,782 as compared to \$7,224,493 at the end of the prior year. As the City's current practice is to self-fund projects when possible a portion of this increase in fund balance is meant to be set aside for future pay-as-you-go projects outlined in the seven-year capital improvement plan including the completion of City Hall construction.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City employs an annual mid-year and end-of-year budget adjustment process in order to realign appropriations made during the annual budget process with significant unexpected trends. This ensures adjustments facilitating appropriations are in alignment with expected resources. Differences between the original budget and final amended budget are summarized as follows:

- Total revenue appropriations increased by \$365,233.
 - Property taxes, the largest source of revenue for the City, are collected at the end of each fiscal year and, as a result, are difficult to project when formulating the budget. Vital pieces of information are not available before the budget is adopted, such as trends in percentage of collections for the previous fiscal year and increases or decreases in property assessments for the next tax year. Therefore, the City tends to take a more conservative approach in projecting property tax collections during the budget process. As more information is made available, budget amendments are proposed for council's consideration and adoption. During fiscal year 16, an amendment for a \$465,381

increase to property taxes was adopted. This significant increase was due primarily to a rise in assessed property values and an uptick in new residential development.

- Local option sales taxes trended higher than anticipated and increased by \$100,000.
- Total expenditure appropriations increased by \$39,509.
- Operating transfers out had a net increase of \$9,944,222. This included a decrease of \$500,000 to the Capital Grant Fund to account for additional funding from GDOT on the SR 372 road improvements in Crabapple and a \$10,554,241 increase to the Capital Projects Fund. The transfer of \$10,554,241 includes: \$9,935,171 for the construction of City Hall, the \$500,000 no longer needed for the SR 372 road improvements in Crabapple, \$64,070 for renovations at the Thomas S Byrd, Sr. House and \$55,000 for an automatic license plate reader and vehicle replacement for the Police Department.

During the year, General Fund revenues exceeded budgetary projections, and expenditures were less than budgetary estimates. Actual revenues and other financing sources were \$585,244 higher than estimates, whereas expenditures were \$1,436,800 lower than final budgetary appropriations. Listed below are the major variances between actuals and appropriations:

- The variance of \$585,244 in revenues can be directly attributed to the increase of \$241,691 in insurance premium tax received, an increase of \$128,916 in local option sales taxes, and an increase of \$116,880 in property taxes received due to the increase in assessments on existing property as well as the rise of new construction throughout the city.
- The expenditures were \$1,436,800 less than final budgeted total expenditures primarily due to conservative budget estimates and the continued concerted effort by departments to minimize expenditures as a precautionary measure due to the uncertain economic environment. Among the departments with larger favorable variances in expenditures were Public Safety which expended \$556,714 less than final budget, Culture and Recreation which expended \$326,582 less than final budget, public works which expended \$115,135 less than final budget and IT which expended \$107,484 less than final budget.

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		
Revenues and transfers				
in:				
Taxes	\$ 24,178,200	\$ 24,497,363	\$ 25,192,111	\$ 694,748
Licenses and permits	859,000	807,951	784,946	(23,005)
Charges for services	607,200	620,532	561,851	(58,681)
Fines and forfeitures	550,000	550,000	508,130	(41,870)
Intergovernmental	-	2,800	16,655	13,855
Contributions	20,500	30,571	21,725	(8,846)
Interest earned	20,450	43,450	45,343	1,893
Miscellaneous	43,428	91,344	98,796	7,452
Other financing sources	85,000	10,033,705	10,033,403	(302)
Total	<u>\$ 26,363,778</u>	<u>\$ 36,677,716</u>	<u>\$ 37,262,960</u>	<u>\$ 585,244</u>
Expenditures and				
transfers out:				
Expenditures	18,819,231	18,858,740	17,421,940	1,436,800
Transfers out	12,752,235	22,696,457	22,619,075	77,382
Total	<u>31,571,466</u>	<u>41,555,197</u>	<u>40,041,015</u>	<u>1,514,182</u>
Change in fund balance	<u>\$ (5,207,688)</u>	<u>\$ (4,877,481)</u>	<u>\$ (2,778,055)</u>	<u>\$ 2,099,426</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2016, the City's investment in capital assets for its governmental activities totaled \$75,255,355 (net of accumulated depreciation). This investment in capital assets includes land, improvements to land, buildings, vehicles, equipment, construction in progress, and infrastructure. Larger additions to the capital assets in 2016 include:

- Expansion and improvements at Bell Memorial Park (\$10,311,669)
- New vehicles (\$1,056,611)
- Full depth reclamation of Birmingham Road from Freemanville Road to the Hopewell/Birmingham roundabout (\$699,258)
- Intersection improvements and sidewalk additions at Webb Road at Deerfield Parkway (\$245,458)

Additional information on the City's capital assets can be found in note 6 on page 50.

City of Milton, Georgia Capital Assets (net of accumulated depreciation) Fiscal Years 2015 and 2016

	<u>2016</u>	<u>2015</u>
Land	\$ 7,391,417	7,391,417
Land Improvements	10,000,577	-
Buildings	3,155,350	3,259,655
Vehicles, Equipment & Other	2,802,206	2,550,727
Construction in progress	15,002,145	15,604,309
Infrastructure	36,903,660	36,761,070
Total	<u>\$ 75,255,355</u>	<u>\$ 65,567,178</u>

Long-term debt. At the end of fiscal year 2016, the City's total outstanding debt was \$10,912,155. Total outstanding debt consists of \$1,312,155 of capital lease payable and \$9,600,000 of revenue bond debt.

Further information on the City's long-term debt can be found in note 7 on pages 51 and 52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

- **Sustainability of Existing Services.** The City has deployed a philosophy of budgetary evaluation which reviews the needs of the citizens to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals. 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 necessary for informed decision making.

- **Cost of Government.** The operating millage rate of 4.731 mills is statutorily set and cannot be changed without a referendum. As part of the financial strategic plan, the government is committed to a consistent millage rate for property taxes to facilitate the provision of city services.
- **Infrastructure Improvements.** The City provided substantial capital funding to continue the work started in prior years to begin to address a significant backlog of existing infrastructure deficiencies. Funding was allocated for repaving program, intersection improvements, parks, buildings, machinery and equipment, sidewalks, culverts, equipment, and signals.
- **Economy Impact.** The City's revenues and expenditures were appropriated with a conservative approach to reflect the economic conditions that are expected to continue through 2017.
- The City restricts the use of one-time revenues to capital and other one-time projects.

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
2006 Heritage Walk
Milton, GA 30004

or by calling 678-242-2500.

BASIC FINANCIAL STATEMENTS



CITY OF MILTON, GEORGIA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,833,989
Accounts receivable	2,459,538
Taxes receivable	11,649,795
Due from other governments	121,862
Prepays	444,032
Capital assets:	
Nondepreciable	22,393,562
Depreciable, net of accumulated depreciation	52,861,793
Total assets	105,764,571
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,290,134
LIABILITIES	
Accounts payable	3,832,850
Accrued liabilities	516,815
Deposits payable	2,012,106
Compensated absences, due within one year	475,054
Capital lease payable, due within one year	305,038
Capital lease payable, due in more than one year	1,007,117
Bonds payable, due within one year	592,000
Bonds payable, due in more than one year	9,008,000
Net pension liability, due in more than one year	2,090,753
Total liabilities	19,839,733
NET POSITION	
Net investment in capital assets	64,343,200
Restricted for law enforcement	130,265
Restricted for fire facilities	82,142
Restricted for intersection improvements	16,095
Restricted for park and trail enhancements	671,394
Restricted for emergency 911 services	3
Unrestricted	21,971,873
Total net position	\$ 87,214,972

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

CITY OF MILTON, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 3,968,796	\$ 562,416	\$ 16,655	\$ -	\$ (3,389,725)
Judicial	274,716	508,130	-	-	233,414
Public safety	11,443,382	1,939,929	7,582	-	(9,495,871)
Public works	5,028,701	242,835	-	1,025,050	(3,760,816)
Culture and recreation	1,827,479	122,220	14,143	-	(1,691,116)
Housing and development	780,282	628,511	-	-	(151,771)
Interest on long-term debt	350,429	-	-	-	(350,429)
Total governmental activities	<u>23,673,785</u>	<u>4,004,041</u>	<u>38,380</u>	<u>1,025,050</u>	<u>(18,606,314)</u>
Total primary government	<u>\$ 23,673,785</u>	<u>\$ 4,004,041</u>	<u>\$ 38,380</u>	<u>\$ 1,025,050</u>	<u>(18,606,314)</u>
General revenues:					
Property taxes					11,778,279
Sales taxes					8,827,604
Hotel/Motel taxes					66,218
Franchise taxes					2,064,983
Business taxes					2,743,625
Unrestricted investment earnings					49,473
Miscellaneous revenues					119,195
Total general revenues					<u>25,649,377</u>
Change in net position					<u>7,043,063</u>
Net position, beginning of year					<u>80,171,909</u>
Net position, end of year					<u>\$ 87,214,972</u>

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

CITY OF MILTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

ASSETS	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 6,161,087	\$ 8,766,031	\$ 906,871	\$ 15,833,989
Accounts receivable	2,075,321	169,049	215,168	2,459,538
Taxes receivable, net	11,643,740	-	6,055	11,649,795
Intergovernmental receivable	-	-	121,862	121,862
Due from other funds	7,473	8,795,559	676,182	9,479,214
Prepays	444,032	-	-	444,032
Total assets	\$ 20,331,653	\$ 17,730,639	\$ 1,926,138	\$ 39,988,430
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 603,544	\$ 2,794,176	\$ 435,130	\$ 3,832,850
Accrued liabilities	372,600	-	-	372,600
Due to other funds	9,471,741	-	7,473	9,479,214
Deposits payable	2,012,106	-	-	2,012,106
Total liabilities	12,459,991	2,794,176	442,603	15,696,770
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	531,044	-	-	531,044
Unavailable revenues - intergovernmental	-	-	121,862	121,862
Unavailable revenues - other	6,724	38,681	-	45,405
Total deferred inflows of resources	537,768	38,681	121,862	698,311
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepays	444,032	-	-	444,032
Restricted:				
Law enforcement	-	15,750	114,515	130,265
Fire facilities	-	82,142	-	82,142
Intersection improvements	-	16,095	-	16,095
Park and trail enhancements	-	671,394	-	671,394
Emergency 911 services	-	-	3	3
Assigned:				
Capital projects	-	14,112,401	1,247,155	15,359,556
Unassigned	6,889,862	-	-	6,889,862
Total fund balances	7,333,894	14,897,782	1,361,673	23,593,349
Total liabilities, deferred inflows of resources, and fund balances	\$ 20,331,653	\$ 17,730,639	\$ 1,926,138	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	75,255,355
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,531,424)
Some revenues are not available in the current period and, therefore, are deferred in the funds.	698,311
The deferred outflows of resources and the net pension liability related to the City's pension plan are not expected to be liquidated with available financial resources and, therefore, are not reported in the funds.	(800,619)

Net position of governmental activities \$ 87,214,972

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, 2016**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 11,562,546	\$ -	\$ -	\$ 11,562,546
Sales taxes	8,827,604	-	-	8,827,604
Hotel/Motel taxes	-	-	66,218	66,218
Franchise taxes	2,058,336	110,713	-	2,169,049
Business taxes	2,743,625	-	-	2,743,625
Licenses and permits	784,946	-	-	784,946
Charges for services	561,851	210,762	1,852,010	2,624,623
Fines and forfeitures	508,130	-	52,175	560,305
Intergovernmental	16,655	-	2,613,682	2,630,337
Contributions	21,725	-	-	21,725
Interest earned	45,343	2,231	1,899	49,473
Miscellaneous	98,796	20,399	-	119,195
Total revenues	<u>27,229,557</u>	<u>344,105</u>	<u>4,585,984</u>	<u>32,159,646</u>
Expenditures:				
Current:				
General government	3,665,105	-	-	3,665,105
Judicial	275,541	-	-	275,541
Public safety	9,388,012	129,686	1,138,558	10,656,256
Public works	1,971,467	2,784,789	908,502	5,664,758
Culture and recreation	1,187,619	55,238	774,914	2,017,771
Housing and development	713,252	72,697	-	785,949
Capital outlay	-	9,449,319	-	9,449,319
Debt service:				
Principal	152,767	-	-	152,767
Interest	68,177	-	153,529	221,706
Total expenditures	<u>17,421,940</u>	<u>12,491,729</u>	<u>2,975,503</u>	<u>32,889,172</u>
Excess (deficiency) of revenues over expenditures	<u>9,807,617</u>	<u>(12,147,624)</u>	<u>1,610,481</u>	<u>(729,526)</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	5,313	-	-	5,313
Issuance of revenue bond	-	-	689,868	689,868
Transfers in	10,028,090	19,820,913	3,736,855	33,585,858
Transfers out	(22,619,075)	-	(10,966,783)	(33,585,858)
Total other financing sources (uses)	<u>(12,585,672)</u>	<u>19,820,913</u>	<u>(6,540,060)</u>	<u>695,181</u>
Net change in fund balances	(2,778,055)	7,673,289	(4,929,579)	(34,345)
Fund balances, beginning of year	<u>10,111,949</u>	<u>7,224,493</u>	<u>6,291,252</u>	<u>23,627,694</u>
Fund balances, end of year	<u>\$ 7,333,894</u>	<u>\$ 14,897,782</u>	<u>\$ 1,361,673</u>	<u>\$ 23,593,349</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, 2016

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

Net change in fund balances - total governmental funds	\$ (34,345)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	9,751,796
The net effect of various miscellaneous transactions involving capital assets (i.e., donations and sales) is to decrease net position in the current period.	(63,619)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,049,491)
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 position.	(537,101)
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>(24,177)</u>
Change in net position - governmental activities	<u>\$ 7,043,063</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, 2016**

	ASSETS	Municipal Court Fund
Cash		<u>\$ 103,518</u>
Total assets		<u><u>\$ 103,518</u></u>
	LIABILITIES	
Due to others		<u>\$ 103,518</u>
Total liabilities		<u><u>\$ 103,518</u></u>

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

NOTES TO FINANCIAL STATEMENTS



CITY OF MILTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

Created on June 4, 2012, the City of Milton Public Buildings and Facility Authority (the “PBFA”) exists to obtain favorable financing and funding for public facilities, land, buildings, equipment, roads, bridges, sidewalks and services exclusively for the City of Milton. The PBFA is governed by a seven-member board of directors consisting of the mayor and all members of the City Council. Although it is legally separate from the City, the PBFA is reported as a blended component unit (“Revenue Bond Fund”) and all of its debt and assets are reported as a form of the City’s debt and assets.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The statement of net position 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, franchise 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 types:

The **special revenue funds** account for revenues that are legally restricted to expenditures for specific purposes.

The **capital projects funds** are used to account for resources collected by the City to fund capital expenditures made on long-term projects.

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. All appropriations lapse at year end. Encumbered amounts for specific purposes for which resources already have been restricted, committed, or assigned would be reported as restricted, committed, or assigned, as applicable. Furthermore, encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned, would be included within committed or assigned fund balance, as appropriate. Encumbrances do not constitute expenditures or liabilities. There were no encumbrances outstanding at September 30, 2016, and none were recorded.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance of pooled cash accounts is available to meet current operating requirements.

The City's investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. 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."

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2016, are accounted for using the consumption method and recorded as prepaid items in both government-wide and fund financial statements.

I. 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 which it currently owns and has a responsibility for maintaining. Donated capital assets are recorded at estimated acquisition value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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
Land Improvements	10-40 years

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

J. Deferred Outflows and Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue* is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, grants, and other sources as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The City also has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension plan before year end but subsequent to the measurement date of the City's net pension liability are reported as deferred outflows of resources. These contributions will reduce the net pension liability in the next fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences

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

L. Long-Term Obligations

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

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 and Net Position

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

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

Fund balances are classified as follows:

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

Restricted – Fund balances are reported as restricted when they include amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity and Net Position (Continued)

Committed – Fund balances are reported as committed when they include amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments will only be used for specific purposes pursuant to the adoption of an ordinance of the City Council. A majority vote is required to approve or remove a commitment.

Assigned – Fund balances are reported as assigned when they include amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. The ordinance adopted by the City Council that established the City's fund balance policy stipulates that the Finance Director has the authority to assign amounts to be used for specific purposes.

Unassigned – Fund balances are reported as unassigned as the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City will maintain a minimum unassigned fund balance in its General Fund of 16% of the subsequent year's budgeted expenditures and outgoing transfers. The General Fund is the only fund of the City that will report a positive unassigned fund balance. Any deficits in fund balance in other funds will be reported as unassigned.

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

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Milton Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. 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 Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. 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 \$11,531,424 difference are as follows:

Capital lease payable	\$ (1,312,155)
Compensated absences (i.e., vacation)	(475,054)
Accrued interest	(144,215)
Revenue bond payable	<u>(9,600,000)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (11,531,424)</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 position 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 \$9,751,796 difference are as follows:

Capital outlay	\$ 11,821,605
Depreciation expense	<u>(2,069,809)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ 9,751,796</u>

Another element of the reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e. donations and disposals) is to decrease net position.” The details of this \$63,619 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 606,693
In the statement of activities, the loss on the disposal of capital assets is included with expenses. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.	<u>(670,312)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (63,619)</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 “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 position.” The details of this \$537,101 difference are as follows:

Proceeds from issuance of revenue bond	\$ (689,868)
Principal payments on capital leases	<u>152,767</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (537,101)</u>

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 \$24,177 difference are as follows:

Compensated absences (i.e., vacation)	\$ 27,011
Pension expense	77,535
Accrued interest	<u>(128,723)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i>	<u>\$ (24,177)</u>

NOTE 3. LEGAL COMPLIANCE – BUDGETS

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

Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the Finance Director 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended September 30, 2016:

Emergency 911 Fund	\$	89,241
General Fund departments:		
General government - risk management		2,368

Expenditures in excess of appropriations were funded by greater than anticipated revenues or the use of fund balance.

NOTE 4. DEPOSITS

Total deposits as of September 30, 2016 are summarized as follows:

Statement of Net Position:		
Cash and cash equivalents	\$	15,833,989
Statement of Fiduciary Assets and Liabilities:		
Cash - agency fund		103,518
	\$	<u>15,937,507</u>
Cash deposited with financial institutions	\$	14,045,632
Local government investment pool - Georgia Fund 1		1,891,875
Total cash and cash equivalents	\$	<u>15,937,507</u>

Credit Risk: State statutes authorize the City to invest in U.S. Government obligations; U.S. Government agency (or other corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS (CONTINUED)

Credit Risk (continued): The local government investment pool, “Georgia Fund 1”, created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor’s criteria for AA Af rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool’s primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants’ shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair value as of year-end and the City’s investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation. As of September 30, 2016, the weighted-average maturity of the pool was 35 days.

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City does not disclose the investment in the Georgia Fund 1 within the fair value hierarchy.

Custodial Credit Risk: 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 and City policy require all deposits to be collateralized 110% by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2016, the City did not have any deposits which were uninsured or under collateralized, as defined by State statutes.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. Tax notices are mailed on or about September 1 of each year based on the assessed value of property as listed on January 1 and are due 60 days following the billing date. The billings are considered past due if the payment is not rendered within the 60 day period after the respective tax billing date, at which time penalties and interest are assessed. Delinquent taxes subject the property to lien. Property taxes are recorded as receivables and deferred inflows when assessed. Revenues are recognized when available.

Receivables at September 30, 2016, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Capital Projects	Nonmajor Governmental
Receivables:			
Accounts	\$ 2,075,321	\$ 169,049	\$ 215,168
Taxes	11,685,990	-	6,055
Intergovernmental	-	-	121,862
Total receivables	13,761,311	169,049	343,085
Less allowance for uncollectible	42,250	-	-
Net total receivable	\$ 13,719,061	\$ 169,049	\$ 343,085

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NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 7,391,417	\$ -	\$ -	\$ -	\$ 7,391,417
Construction in progress	15,604,309	10,384,539	(361,486)	(10,625,217)	15,002,145
Total	<u>22,995,726</u>	<u>10,384,539</u>	<u>(361,486)</u>	<u>(10,625,217)</u>	<u>22,393,562</u>
Capital assets, being depreciated:					
Buildings	3,515,575	-	-	-	3,515,575
Land improvements	-	88,390	-	10,460,959	10,549,349
Infrastructure	43,587,250	765,216	(1,305)	246,311	44,597,472
Vehicles, equipment, and other	5,364,771	1,190,153	(346,664)	(82,053)	6,126,207
Total	<u>52,467,596</u>	<u>2,043,759</u>	<u>(347,969)</u>	<u>10,625,217</u>	<u>64,788,603</u>
Less accumulated depreciation for:					
Buildings	(255,920)	(104,305)	-	-	(360,225)
Land improvements	-	(533,843)	-	(14,929)	(548,772)
Infrastructure	(6,826,180)	(875,866)	1,305	6,929	(7,693,812)
Vehicles, equipment, and other	(2,814,044)	(555,795)	37,838	8,000	(3,324,001)
Total	<u>(9,896,144)</u>	<u>(2,069,809)</u>	<u>39,143</u>	<u>-</u>	<u>(11,926,810)</u>
Total capital assets being depreciated, net	<u>42,571,452</u>	<u>(26,050)</u>	<u>(308,826)</u>	<u>10,625,217</u>	<u>52,861,793</u>
Governmental activities capital assets, net	<u>\$ 65,567,178</u>	<u>\$ 10,358,489</u>	<u>\$ (670,312)</u>	<u>\$ -</u>	<u>\$ 75,255,355</u>

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

Governmental activities:	
General government	\$ 14,251
Public safety	586,618
Public works	879,669
Culture and recreation	589,271
Total depreciation expense - governmental activities	<u>\$ 2,069,809</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ 1,464,922	\$ -	\$ (152,767)	\$ 1,312,155	\$ 305,038
Revenue bond payable	8,910,132	689,868	-	9,600,000	592,000
Net pension liability	1,848,532	1,185,477	(943,256)	2,090,753	-
Compensated absences	502,065	880,335	(907,346)	475,054	475,054
Governmental activities Long-term liabilities	<u>\$ 12,725,651</u>	<u>\$ 2,755,680</u>	<u>\$ (2,003,369)</u>	<u>\$ 13,477,962</u>	<u>\$ 1,372,092</u>

The net pension liability and compensated absences are generally liquidated by the General Fund. The City has reported 100% of the compensated absence liability as due in one year, as historical usage patterns show employees use earned vacation within one year.

Capital Lease Payable

In October 2013, the City entered into a lease agreement as lessee with a third party to finance the acquisition of a fire station in the amount of \$1,610,663. As the lease agreement includes a bargain purchase option that the City intends to exercise, it is considered a capital lease for financial reporting purposes. The lease bears interest of 4.91% and payments of principal and interest are due April 1 and October 1 of each year until maturity on October 1, 2019.

The debt service requirements to maturity on the City's capital lease payable are as follows:

Fiscal year ending September 30,

2017	\$ 361,979
2018	361,613
2019	360,903
2020	360,395
Total minimum lease payments	<u>\$ 1,444,890</u>
Less amount representing interest	132,735
Present value of future minimum lease payments	<u>\$ 1,312,155</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Capital Lease Payable (Continued)

The original cost of the City's assets under capital lease arrangements at September 30, 2016 is \$1,610,663 and there has been \$143,170 of accumulated depreciation at year-end. Annual depreciation of this asset is included in depreciation expense.

Revenue Bond

In November 2014, the Milton Public Buildings and Facilities Authority (PBFA) issued a Series 2015 revenue bond. The bond was issued to a local financial institution for a total of \$9,600,000 for the renovation of a City park and related facilities. The face amount of the bond was made available to the City by the financial institution and the City would draw upon the available balance of the bond as the project progressed. The final draw on the bond of \$689,868 was made during the current fiscal year and the bond has now been finalized and is in the repayment phase. The bond bears interest of 2.80% and semi-annual payments of interest are due May 1 and November 1 and annual payments of principal are due on November 1 of each year until maturity on November 1, 2029.

The debt service requirements to maturity on the City's revenue bond are as follows:

Fiscal year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 592,000	\$ 260,512	\$ 852,512
2018	608,000	243,712	851,712
2019	626,000	226,436	852,436
2020	643,000	208,670	851,670
2021	662,000	190,400	852,400
2022-2026	3,602,000	659,120	4,261,120
2027-2030	2,867,000	146,930	3,013,930
	<u>\$ 9,600,000</u>	<u>\$ 1,935,780</u>	<u>\$ 11,535,780</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2016 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 7,473
Capital Projects Fund	General Fund	8,795,559
Nonmajor governmental funds	General Fund	676,182
		<u>\$ 9,479,214</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. Additionally, for the fiscal year ended September 30, 2016, the balance between the General Fund and the Capital Projects Fund relates to a capital project for which reimbursement will be made after property taxes are collected.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 18,882,220
Capital Projects Fund	Nonmajor governmental funds	938,693
General Fund	Nonmajor governmental funds	10,028,090
Nonmajor governmental funds	General Fund	3,736,855
		<u>\$ 33,585,858</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Additionally, for the fiscal year ended September 30, 2016, transfers to the General Fund were combined with existing amounts and transferred to the Capital Projects Fund for the purpose of funding large capital projects in progress at the City.

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Contractual Commitments

For the fiscal year ended September 30, 2016, the City has contractual commitments on uncompleted contracts of \$5,498,336 primarily for road paving, intersection improvements, and the City Hall construction and renovation projects.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Litigation

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.

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 of the City's full-time employees hired prior to July 1, 2014. The City's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, and death benefits to 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. The City Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the City and its employees. 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 at www.gmanet.com or 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.

Effective July 1, 2014, the plan was closed to new entrants and all City employees hired on or after that date are automatically enrolled in a newly established defined contribution pension plan which is discussed in further detail in Note 11.

Plan Membership. As of January 1, 2016, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not receiving benefits	5
Active plan members	121
	<u>129</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions. 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, as adopted by the City Council, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members (3.00%), as determined by the City Council. For the fiscal year ended September 30, 2016, the City's recommended contribution rate was 5.62% of annual payroll; actual contributions came to 9.85%.

City contributions to the Plan were \$701,544 for the fiscal year ended September 30, 2016. Employees of the City of Milton contributed \$215,846 to the Plan.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2015.

Actuarial assumptions. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	3.75% - 8.75%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates for the January 1, 2015 valuation were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	50%	5.95%
International equity	15%	6.45
Fixed income	25%	1.55
Real estate	10%	3.75
Cash	—%	
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended September 30, 2016 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 9/30/15	\$ 5,241,324	\$ 3,392,792	\$ 1,848,532
Changes for the year:			
Service cost	641,036	-	641,036
Interest	403,952	-	403,952
Differences between expected and actual experience	123,781	-	123,781
Contributions—employer	-	704,034	(704,034)
Contributions—employee	-	224,501	(224,501)
Net investment income	-	14,721	(14,721)
Benefit payments, including refunds of employee contributions	(58,073)	(58,073)	-
Administrative expense	-	(16,708)	16,708
Net changes	1,110,696	868,475	242,221
Balances at 9/30/16	\$ 6,352,020	\$ 4,261,267	\$ 2,090,753

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 3,391,023	\$ 2,090,753	\$ 1,077,246

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

Changes in the Net Pension Liability of the City (continued). 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 September 30, 2015 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$627,209. At September 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 281,259
Changes in assumptions	130,059
Net difference between projected and actual earnings on pension plan investments	177,272
City contributions subsequent to the measurement date	701,544
Total	\$ 1,290,134

City contributions subsequent to the measurement date of \$701,544 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2017	\$ 86,039
2018	86,039
2019	86,039
2020	101,963
2021	45,702
2022 and thereafter	182,808
Total	\$ 588,590

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED CONTRIBUTION PENSION PLANS

The City of Milton maintains two (2) single employer defined contribution plans established and administered by the City for all full time employees.

The first plan was established by resolution of the City Council and the plan, including contribution requirements, may also be amended by resolution of the same. This plan covers all City employees who are eligible to participate in the City's defined benefit pension plan. At September 30, 2016, there were 119 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, 2016, employer and employee contributions to the Plan totaled \$584,580.

The second plan was established by resolution of the City Council and the plan, including contribution requirements, may also be amended by resolution of the same. This plan covers all City employees hired on or after July 1, 2014. At September 30, 2016, there were 29 plan members. Employees are required to contribute 6.2% of their compensation to the Plan and the City also contributes 6.2% of each participating employee's salary. Employees are eligible at the time of employment and are fully vested immediately. For the fiscal year ending September 30, 2016, employer and employee contributions to the Plan totaled \$141,155.

The City of Milton also maintains two (2) Internal Revenue Code Section 457 Plans which are deferred compensation plans and qualify as defined contribution plans. These plans are administered by ICMA-RC and cover all full time employees. Separate audited financial statements for each plan are not issued.

At September 30, 2016, there were 85 members in the first deferred compensation plan that covers all employees who are eligible to participate in the City's defined benefit pension plan and 24 members in the second deferred compensation plan that covers all employees hired on or after July 1, 2014. Employees are not required to contribute to either plan. Employees may contribute a portion of their gross salary up to the maximum amount allowed by the IRS to either plan. For the first plan, the City matches at a rate of 50% of the employee's contribution up to 1% of the employee's salary. For the second plan, the City matches at a rate of 200% of the employee's contribution up to 12% of the employee's salary. For the fiscal year ended September 30, 2016, the City contributed \$59,117 to the first plan, \$91,490 to the second plan, and employees contributed a total of \$386,109 to these defined contribution plans.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. JOINT VENTURES

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta 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.

In July 2013 the cities of Alpharetta, Milton, Roswell, and Sandy Springs created the North Fulton Regional Radio System Authority (the "Authority"), which was established by Georgia House Bill 526. The Authority will provide an interoperable, high quality, and reliable and uninterrupted communication signal for public safety and public services within the area in which the Authority has operational capability. The Authority's Board membership includes the City Manager or City Administrator, or his or her designee, from each participating city. The Authority was created by the cities contributing a pre-determined capital amount necessary to fund the construction and equipping of the radio system. In accordance with GASB 14: *The Financial Reporting Entity*, the Authority was determined to be a joint venture; however, the City does not have an equity interest in the joint venture. Of the estimated \$16 million required to initially capitalize the Authority, the City of Milton is responsible for approximately \$2.4 million pursuant to the intergovernmental agreement between the cities. For the fiscal year ended September 30, 2016, the City of Milton contributed \$66,884 to the Authority. As of June 30, 2016, the Authority's fiscal year end, the Authority did not have any long-term debt. Separate financial statements may be obtained from the City of Sandy Springs, who has been contracted by the Authority to serve as the accountants, at 7840 Roswell Road, Building 500, Sandy Springs, Georgia 30350.

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, 2016, the City collected \$66,218 in hotel/motel tax revenues, which were transferred to the General Fund and used for the promotion of special events and City operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT

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

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

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

Settled claims have not exceeded the 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.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MILTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION RETIREMENT PLAN SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	\$ 641,036	\$ 643,340
Interest on total pension liability	403,952	304,844
Differences between expected and actual experience	123,781	207,605
Changes of assumptions	-	158,963
Benefit payments, including refunds of employee contributions	(58,073)	(13,790)
Net change in total pension liability	1,110,696	1,300,962
Total pension liability - beginning	5,241,324	3,940,362
Total pension liability - ending (a)	\$ 6,352,020	\$ 5,241,324
Plan fiduciary net position		
Contributions - employer	\$ 704,034	\$ 431,357
Contributions - employee	224,501	221,303
Net investment income	14,721	295,411
Benefit payments, including refunds of member contributions	(58,073)	(13,790)
Administrative expenses	(16,708)	(12,896)
Net change in plan fiduciary net position	868,475	921,385
Plan fiduciary net position - beginning	3,392,792	2,471,407
Plan fiduciary net position - ending (b)	\$ 4,261,267	\$ 3,392,792
City's net pension liability - ending (a) - (b)	\$ 2,090,753	\$ 1,848,532
Plan fiduciary net position as a percentage of the total pension liability	67.09%	64.73%
Covered-employee payroll	\$ 7,248,961	\$ 6,430,661
City's net pension liability as a percentage of covered-employee payroll	28.84%	28.75%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF MILTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CITY CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 417,023	\$ 413,913	\$ 342,310
Contributions in relation to the actuarially determined contribution	<u>701,544</u>	<u>704,034</u>	<u>431,357</u>
Contribution deficiency (excess)	<u>\$ (284,521)</u>	<u>\$ (290,121)</u>	<u>\$ (89,047)</u>
Covered-employee payroll	\$ 7,121,076	\$ 7,248,961	\$ 6,430,661
Contributions as a percentage of covered-employee payroll	9.85%	9.71%	6.71%

Notes to the Schedule:

(1) Actuarial Assumptions:

Valuation Date	January 1, 2016
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amounts that the value exceeds or is less than the market value at the end of the year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Assumed Rate of Return on Investments	7.75%
Projected Salary Increases	3.75% - 8.75% (including 3.25% for inflation)
Cost-of-living Adjustment	0.00%
Amortization Method	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

(2) The schedule will present 10 years of information once it is accumulated.

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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 11,187,200	\$ 11,399,363	\$ 11,562,546	\$ 163,183
Sales taxes	8,595,000	8,695,000	8,827,604	132,604
Franchise taxes	1,900,000	1,900,000	2,058,336	158,336
Business taxes	2,496,000	2,503,000	2,743,625	240,625
Licenses and permits	859,000	807,951	784,946	(23,005)
Charges for services	607,200	620,532	561,851	(58,681)
Fines and forfeitures	550,000	550,000	508,130	(41,870)
Intergovernmental	-	2,800	16,655	13,855
Contributions	20,500	30,571	21,725	(8,446)
Interest earned	20,450	43,450	45,343	1,893
Miscellaneous	43,428	91,344	98,796	7,452
Total revenues	<u>26,278,778</u>	<u>26,644,011</u>	<u>27,229,557</u>	<u>585,546</u>
Expenditures:				
Current:				
General government:				
Mayor and council	171,375	171,375	146,527	24,848
City manager	705,273	705,273	687,710	17,563
General administration	43,557	43,557	40,500	3,057
Finance department	427,877	427,877	409,321	18,556
Legal services	230,000	315,000	307,816	7,184
City clerk	193,574	193,574	163,966	29,608
Information technology	863,103	837,203	729,719	107,484
Human resources	341,602	341,602	272,534	69,068
Risk management	216,328	241,347	243,715	(2,368)
Public information	309,345	309,345	276,877	32,468
Buildings and plant	396,421	396,421	386,420	10,001
Total general government	<u>3,898,455</u>	<u>3,982,574</u>	<u>3,665,105</u>	<u>317,469</u>
Judicial:				
Municipal court	<u>335,708</u>	<u>323,708</u>	<u>275,541</u>	<u>48,167</u>
Total judicial	<u>335,708</u>	<u>323,708</u>	<u>275,541</u>	<u>48,167</u>
Public safety:				
Police department	4,202,095	4,163,730	3,915,311	248,419
Fire department	5,776,316	5,780,996	5,472,701	308,295
Total public safety	<u>9,978,411</u>	<u>9,944,726</u>	<u>9,388,012</u>	<u>556,714</u>
Public works				
	<u>2,029,695</u>	<u>2,086,601</u>	<u>1,971,467</u>	<u>115,134</u>
Culture and recreation				
	<u>1,588,545</u>	<u>1,524,475</u>	<u>1,187,619</u>	<u>336,856</u>
Housing and development:				
Planning and zoning	688,885	697,124	638,599	58,525
Economic development	<u>78,588</u>	<u>78,588</u>	<u>74,653</u>	<u>3,935</u>
Total housing and development	<u>767,473</u>	<u>775,712</u>	<u>713,252</u>	<u>62,460</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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Debt service:				
Principal	\$ 220,944	\$ 220,944	\$ 152,767	\$ 68,177
Interest	-	-	68,177	(68,177)
Total debt service	220,944	220,944	220,944	-
Total expenditures	18,819,231	18,858,740	17,421,940	1,436,800
Excess of revenues over expenditures	7,459,547	7,785,271	9,807,617	2,022,346
Other financing sources (uses):				
Proceeds from the sale of capital assets	18,000	5,012	5,313	301
Transfers in	67,000	10,028,693	10,028,090	(603)
Transfers out	(12,752,235)	(22,696,457)	(22,619,075)	77,382
Total other financing sources (uses)	(12,667,235)	(12,662,752)	(12,585,672)	77,080
Net change in fund balances	(5,207,688)	(4,877,481)	(2,778,055)	2,099,426
Fund balances, beginning of year	10,111,949	10,111,949	10,111,949	-
Fund balances, end of year	\$ 4,904,261	\$ 5,234,468	\$ 7,333,894	\$ 2,099,426

CITY OF MILTON, GEORGIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2016

NOTE 1. BUDGETS

Formal budgetary accounting is employed as a management control device for the general fund, special revenue funds, and capital projects funds of the City. The governmental funds' budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for all governmental funds, with the exception of capital projects funds for which project length budgets are adopted. During the fiscal year ended September 30, 2016, 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.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



NONMAJOR GOVERNMENTAL FUNDS

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.

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 grant revenue and expenditures made by the City for public works and community development projects.

Revenue Bond Fund – To account for the proceeds from revenue bonds issued for the purpose of funding expenditures made by the City for projects such as the Bell Memorial Park expansion and renovation and the construction of the new City Hall facility.

Impact Fees Fund – To account for impact fees restricted for the acquisition or construction of specific capital projects.

CITY OF MILTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

ASSETS	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Confiscated Assets Fund	Emergency 911 Fund	Hotel/Motel Tax Fund	Capital Grant Fund	Revenue Bond Fund	Impact Fees Fund	
Cash	\$ 118,654	\$ 215,348	\$ -	\$ -	\$ 572,869	\$ -	\$ 906,871
Accounts receivable	-	215,168	-	-	-	-	215,168
Taxes receivable	-	-	6,055	-	-	-	6,055
Intergovernmental receivable	-	-	-	121,862	-	-	121,862
Due from other funds	-	-	-	486,893	189,289	-	676,182
Total assets	\$ 118,654	\$ 430,516	\$ 6,055	\$ 608,755	\$ 762,158	\$ -	\$ 1,926,138
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 2,721	\$ 430,513	\$ -	\$ 1,896	\$ -	\$ -	\$ 435,130
Due to other funds	1,418	-	6,055	-	-	-	7,473
Total liabilities	4,139	430,513	6,055	1,896	-	-	442,603
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues - intergovernmental	-	-	-	121,862	-	-	121,862
Total deferred inflows of resources	-	-	-	121,862	-	-	121,862
FUND BALANCES							
Restricted:							
Law enforcement	114,515	-	-	-	-	-	114,515
Emergency 911 services	-	3	-	-	-	-	3
Assigned:							
Capital projects	-	-	-	484,997	762,158	-	1,247,155
Total fund balances	114,515	3	-	484,997	762,158	-	1,361,673
Total liabilities, deferred inflows of resources, and fund balances	\$ 118,654	\$ 430,516	\$ 6,055	\$ 608,755	\$ 762,158	\$ -	\$ 1,926,138

CITY OF MILTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Confiscated Assets Fund	Emergency 911 Fund	Hotel/Motel Tax Fund	Capital Grant Fund	Revenue Bond Fund	Impact Fees Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ 66,218	\$ -	\$ -	\$ -	\$ 66,218
Charges for services	-	935,498	-	-	-	916,512	1,852,010
Fines and forfeitures	52,175	-	-	-	-	-	52,175
Intergovernmental	-	-	-	2,613,682	-	-	2,613,682
Interest	80	107	-	250	1,246	216	1,899
Total revenues	52,255	935,605	66,218	2,613,932	1,246	916,728	4,585,984
EXPENDITURES							
Current:							
Public safety	140,237	998,321	-	-	-	-	1,138,558
Public works	-	-	-	908,502	-	-	908,502
Culture and Recreation	-	-	-	-	774,914	-	774,914
Debt service:							
Interest	-	-	-	-	153,529	-	153,529
Total expenditures	140,237	998,321	-	908,502	928,443	-	2,975,503
Excess (deficiency) of revenues over expenditures	(87,982)	(62,716)	66,218	1,705,430	(927,197)	916,728	1,610,481
OTHER FINANCING SOURCES (USES)							
Issuance of revenue bond	-	-	-	-	689,868	-	689,868
Transfers in	-	-	-	911,202	2,825,653	-	3,736,855
Transfers out	-	-	(66,218)	(48,666)	(9,935,171)	(916,728)	(10,966,783)
Total other financing sources (uses)	-	-	(66,218)	862,536	(6,419,650)	(916,728)	(6,540,060)
Net change in fund balances	(87,982)	(62,716)	-	2,567,966	(7,346,847)	-	(4,929,579)
FUND BALANCES, beginning of year	202,497	62,719	-	(2,082,969)	8,109,005	-	6,291,252
FUND BALANCES, end of year	\$ 114,515	\$ 3	\$ -	\$ 484,997	\$ 762,158	\$ -	\$ 1,361,673

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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 50,116	\$ 50,116	\$ 52,175	\$ 2,059
Interest	53	53	80	27
Total revenues	<u>50,169</u>	<u>50,169</u>	<u>52,255</u>	<u>2,086</u>
Expenditures:				
Public safety	147,979	147,979	140,237	7,742
Total expenditures	<u>147,979</u>	<u>147,979</u>	<u>140,237</u>	<u>7,742</u>
Net change in fund balances	(97,810)	(97,810)	(87,982)	9,828
Fund balances, beginning of year	<u>202,497</u>	<u>202,497</u>	<u>202,497</u>	<u>-</u>
Fund balances, end of year	<u>\$ 104,687</u>	<u>\$ 104,687</u>	<u>\$ 114,515</u>	<u>\$ 9,828</u>

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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 890,000	\$ 890,000	\$ 935,498	\$ 45,498
Interest	-	-	107	107
Total revenues	<u>890,000</u>	<u>890,000</u>	<u>935,605</u>	<u>45,605</u>
Expenditures:				
Public safety	909,080	909,080	998,321	(89,241)
Total expenditures	<u>909,080</u>	<u>909,080</u>	<u>998,321</u>	<u>(89,241)</u>
Excess (deficiency) of revenues over expenditures	<u>(19,080)</u>	<u>(19,080)</u>	<u>(62,716)</u>	<u>(43,636)</u>
Other financing uses:				
Transfers out	(300,000)	(43,626)	-	43,626
Total other financing uses	<u>(300,000)</u>	<u>(43,626)</u>	<u>-</u>	<u>43,626</u>
Net change in fund balances	(319,080)	(62,706)	(62,716)	(10)
Fund balances, beginning of year	<u>62,719</u>	<u>62,719</u>	<u>62,719</u>	<u>-</u>
Fund balances, end of year	<u>\$ (256,361)</u>	<u>\$ 13</u>	<u>\$ 3</u>	<u>\$ (10)</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, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 67,000	\$ 67,000	\$ 66,218	\$ (782)
Total revenues	67,000	67,000	66,218	(782)
Other financing uses:				
Transfers out	(67,000)	(67,000)	(66,218)	782
Total other financing uses	(67,000)	(67,000)	(66,218)	782
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals.

Municipal Court Fund – To account for the collection of cash appearance bonds by the Municipal Court.

CITY OF MILTON, GEORGIA STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>
MUNICIPAL COURT FUND				
Assets:				
Cash	\$ 72,123	\$ 1,030,288	\$ 998,893	\$ 103,518
Liabilities:				
Due to others	\$ 72,123	\$ 1,030,288	\$ 998,893	\$ 103,518

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	78
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	83
These schedules contain information to help the reader assess the government’s most significant local revenue source, property tax.	
Debt Capacity	88
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	90
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	92
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.	

CITY OF MILTON, GEORGIA

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS

(accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Primary government:										
Net investment in capital assets	\$ 64,343,200	\$ 55,192,124	\$ 52,108,868	\$ 47,155,163	\$ 42,581,781	\$ 38,629,543	\$ 36,498,474	\$ 36,524,637	\$ 36,964,310	\$ 32,923,814
Restricted for law enforcement	130,265	202,497	163,191	894,671	879,779	694,091	-	-	-	-
Restricted for fire facilities	82,142 -1	-	-	-	-	-	-	-	-	-
Restricted for intersection improvements	16,095 -1	-	-	-	-	-	-	-	-	-
Restricted for park and trail enhancements	671,394 -1	-	-	-	-	-	-	-	-	-
Restricted for emergency 911 services	3	67,349	481,669	-	-	-	-	-	-	-
Unrestricted	<u>21,971,873</u>	<u>24,709,939</u>	<u>20,489,814</u>	<u>19,501,111</u>	<u>18,384,078</u>	<u>16,316,129</u>	<u>15,655,187</u>	<u>12,520,252</u>	<u>10,527,209</u>	<u>3,035,336</u>
Total primary government net position	<u>\$ 87,214,972</u>	<u>\$ 80,171,909</u>	<u>\$ 73,243,542</u>	<u>\$ 67,550,945</u>	<u>\$ 61,845,638</u>	<u>\$ 55,639,763</u>	<u>\$ 52,153,661</u>	<u>\$ 49,044,889</u>	<u>\$ 47,491,519</u>	<u>\$ 35,959,150</u>

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

(1) Beginning with fiscal year 2016, the City began collecting impact fees on new development projects.

CITY OF MILTON, GEORGIA

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
General government	\$ 3,968,796	\$ 5,217,801	\$ 3,182,969	\$ 2,894,553	\$ 2,973,341	\$ 3,508,809	\$ 3,659,341	\$ 4,588,792	\$ 4,171,595	\$ 3,683,192
Judicial	274,716	264,812	246,269	231,621	227,761	207,085	235,252	538,008	546,447	332,251
Public safety	11,443,382	11,892,288	9,823,388	8,965,850	8,124,581	7,587,661	7,510,785	7,261,031	6,457,721	6,312,297
Public works	5,028,701	4,148,056	6,837,286 (13)	3,450,492	3,236,611 (12)	5,489,730	3,849,323	4,468,962 (4)	2,552,092	2,714,572
Culture and recreation	1,827,479	1,721,516	861,022	836,426	707,991	404,151	162,076	167,788	270,663	20,518
Housing and development	780,282	811,019	1,119,567	1,044,487	1,038,157	763,205	909,803	1,720,486	1,501,911	941,621
Interest on long-term debt	350,429	91,967	4,922	7,210	17,595	46,083	61,315	119,315	258,286	220,331
Total expenses	\$ 23,673,785	\$ 24,147,459	\$ 22,075,423	\$ 17,430,639	\$ 16,326,037	\$ 18,006,724	\$ 16,387,895 (9)	\$ 18,864,382	\$ 15,758,715	\$ 14,224,782
Program revenues										
Charges for services:										
General government	\$ 562,416	\$ 571,413	\$ 658,812	\$ 550,364	\$ 514,402	\$ 298,955	\$ 391,260	\$ 254,806	\$ 216,151	\$ 176,761
Judicial	508,130	565,331	582,169	382,434	483,242	431,401	593,289	669,896	647,693	235,860
Public safety	1,939,929	1,007,228	973,693	941,158	870,200	920,433	828,686	813,042 (5)	48,220	4,717
Public works	242,835	387,487	222,316	126,701	109,731	106,502	139,998	187,468 (6)	290,144	230,608
Culture and recreation	122,220	52,737	75,037	73,662	53,855	48,988	2,250	-	-	-
Housing and development	628,511	757,319	776,582	518,988	345,687	388,345	102,522	174,492 (7)	323,149	255,758
Operating grants and contributions	38,380	14,530	55,443	107,805	101,769	79,384	151,166	119,099 (8)	14,621	27,752
Capital grants and contributions	1,025,050	2,881,702	1,369,385	1,994,266	425,111	1,541,878 (10)	180,420	424,745	4,523,803 (1)	114,337
Total program revenues	\$ 5,067,471	\$ 6,237,747	\$ 4,713,437	\$ 4,695,378	\$ 2,903,997	\$ 3,815,886	\$ 2,389,591	\$ 2,643,548	\$ 6,063,781	\$ 1,045,793
Net (expense) revenue	\$ (18,606,314)	\$ (17,909,712)	\$ (17,361,986)	\$ (12,735,261)	\$ (13,422,040)	\$ (14,190,838)	\$ (13,998,304)	\$ (16,220,834)	\$ (9,694,934)	\$ (13,178,989)
General Revenues and Other Changes in Net Position										
Taxes										
Property taxes	\$ 11,778,279	\$ 11,665,484	\$ 10,352,473	\$ 9,615,522	\$ 9,443,929	\$ 9,249,681	\$ 9,696,611	\$ 10,328,547	\$ 10,132,567	\$ 9,200,065
Sales taxes	8,827,604	8,700,581	8,019,028 (14)	4,282,107	4,275,674	4,056,666	3,900,468	3,708,300	4,318,839	3,700,463
Other taxes	4,874,826	4,709,152	4,589,903	4,403,565	4,251,780	4,189,835 (11)	3,424,340	3,382,810	2,396,221	1,770,328
Unrestricted intergovernmental revenue	-	-	-	-	-	-	-	-	4,176,896 (2)	-
Unrestricted investment earnings	49,473	32,197	24,832	23,810	26,927	36,410	36,221	53,168	129,092	112,303
Miscellaneous revenues	119,195	214,624	51,586	73,171	79,307	144,348	49,436	301,379 (3)	73,688	30,677
Gain on sale of capital assets	-	-	16,761	42,393	-	-	-	-	-	-
Special item - donation of infrastructure at incorporation	-	-	-	-	-	-	-	-	-	32,171,846
Total	\$ 25,649,377	\$ 25,322,038	\$ 23,054,583	\$ 18,440,568	\$ 18,077,617	\$ 17,676,940	\$ 17,107,076	\$ 17,774,204	\$ 21,227,303	\$ 46,985,682
Change in Net Position	\$ 7,043,063	\$ 7,412,326	\$ 5,692,597	\$ 5,705,307	\$ 4,655,577	\$ 3,486,102	\$ 3,108,772	\$ 1,553,370	\$ 11,532,369	\$ 33,806,693

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

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

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

(10) Increases are attributable to GDOT grants received for intersection improvements

(11) Insurance premium tax increased significantly as a result of updated census data the previous year, causing the majority of the expenses to occur in the next fiscal year.

(12) Over \$3 million in infrastructure assets transitioned from construction in progress to capital assets during fiscal year 2014. This accounts for the significant increase from fiscal year 2013.

(14) The renegotiation of the local option sales tax (LOST) is triggered by the decennial census and is largely based on population. The City's population doubled from the estimated census done in 2006 and therefore allowed officials to negotiate a higher rate for the distribution of LOST.

CITY OF MILTON, GEORGIA

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

Fiscal Year	Property Taxes	Sales Taxes	Hotel/Motel Taxes	Franchise Taxes	Business Taxes	Total
2007	\$ 9,200,065	\$ 3,700,463	\$ 45,764	\$ 1,147,016	\$ 577,548	\$ 14,670,856
2008	10,132,567	4,318,839	60,600	1,719,032	616,589	16,847,627
2009	10,328,547	3,708,200 (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
2011	9,249,681	4,056,666	49,294	1,993,830	2,146,711 (3)	17,496,182
2012	9,443,929	4,275,674	54,688	1,908,609	2,288,483	17,971,383
2013	9,615,522	4,282,107	60,997	1,945,143	2,397,425	18,301,194
2014	10,352,473	8,019,028 (4)	67,024	2,033,677	2,489,202	22,961,404
2015	11,665,484	8,700,581	72,020	2,053,011	2,584,121	25,075,217
2016	11,778,279	8,827,604	66,218	2,064,983	2,743,625	25,480,709

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.
- (3) Increase is due to an increase in the insurance premium tax collected as a result of the 2010 census.
- (4) The renegotiation of the local option sale (LOST) tax is triggered by the decennial census and is largely based on population. The City's population doubled from the estimated census done in 2006 and therefore allowed officials to negotiate a higher rate for the distribution of LOST.

CITY OF MILTON, GEORGIA

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2012</u>	<u>2011</u>	<u>(4)</u>	<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
Nonspendable - prepaids	444,032	401,096	247,208	197,851	337,536		-	-	-	-
Assigned	-	5,199,048	4,278,690	2,070,784	1,298,871		-	-	-	-
Unassigned	6,889,862	4,511,805	6,316,137	7,870,639	8,059,221		-	-	-	-
Total general fund	<u>\$ 7,333,894</u>	<u>\$ 10,111,949</u>	<u>\$ 10,842,035</u>	<u>\$ 10,139,274</u>	<u>\$ 9,695,628</u>		<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
Nonspendable - prepaids	-	-	-	20,000	1,396		-	-	-	-
Restricted - law enforcement	130,265	202,497	163,191	879,779	694,091		-	-	-	-
Restricted - fire facilities	82,142	-	-	-	-		-	-	-	-
Restricted - intersection improvements	16,095	-	-	-	-		-	-	-	-
Restricted - park and trail enhancements	671,394	-	-	-	-		-	-	-	-
Restricted - emergency 911 services	3	62,719	479,272	-	-		-	-	-	-
Assigned - public safety	-	-	-	3,023	10,671		-	-	-	-
Assigned - capital projects	15,359,556	15,333,498	9,351,597	8,377,308 (3)	6,764,867 (3)		-	-	-	-
Unassigned	-	(2,082,969)	-	-	-		-	-	-	-
Total all other governmental funds	<u>\$ 16,259,455</u>	<u>\$ 13,515,745</u>	<u>\$ 9,994,060</u>	<u>\$ 9,280,110</u>	<u>\$ 7,471,025</u>		<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.

(4) The City implemented GASB 54 in fiscal year 2011.

CITY OF MILTON, GEORGIA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 25,369,042	\$ 24,866,343	\$ 22,954,041 (10)	18,323,600	\$ 18,011,177	\$ 18,536,553	\$ 23,974,316 (4)	\$ 10,020,700 (2)	\$ 16,587,656	\$ 13,841,760
Licenses and permits	784,946	911,175	924,864	683,992	496,389	388,345	268,122	238,976	398,164	325,104
Intergovernmental	2,630,337	1,069,828	426,598	834,317	464,916	718,594	1,228,271	392,396	4,188,146 (1)	-
Charges for services	2,624,623	1,802,052	1,735,785	1,476,425	1,376,840	1,297,655	593,289	1,274,640	649,946	396,393
Fines and forfeitures	560,305	621,737	630,814	429,207	500,061	513,320	369,835	549,684	477,247	182,207
Contributions	21,725	114,530	33,732	55,106	10,760	18,811	22,462	14,734	52,284	130,839
Interest earned	49,473	32,197	24,832	23,810	26,927	36,410	36,221	53,168	129,092	112,303
Miscellaneous	119,195	214,624	51,586	73,171	79,307	144,348	49,436	301,379	73,688	30,677
Total revenues	<u>32,159,646</u>	<u>29,632,486</u>	<u>26,782,252</u>	<u>21,899,628</u>	<u>20,966,377</u>	<u>21,654,036</u>	<u>26,541,952</u>	<u>12,845,677</u>	<u>22,556,223</u>	<u>15,019,283</u>
Expenditures										
Current:										
General government	3,665,105	3,813,711	4,154,897	2,885,446	2,932,868	2,774,434	3,601,423	4,587,252	4,166,630	3,668,160
Judicial	275,541	269,768	254,698	233,588	227,666	207,261	235,252	538,008	546,447	332,251
Public safety	10,656,256	11,580,507	10,026,959	8,473,706	7,789,325	7,197,635	7,116,203	6,777,696	6,124,142	8,940,582
Public works	5,664,758	7,430,685	6,401,823	5,705,061 (8)	2,832,485 (7)	5,199,627 (5)	3,083,755	3,719,544 (3)	1,802,422	1,674,951
Culture and recreation	2,017,771	9,993,915	1,815,176	825,662	695,336	598,613 (6)	153,475	160,217	263,092	34,707
Housing and development	785,949	820,585	1,116,483	1,019,867	1,004,889	741,188	883,947	1,720,486	1,501,911	941,621
Capital outlay	9,449,319	1,758,152	2,189,477	2,040,167	2,426,240	1,843,827	976,587	-	-	-
Debt service:										
Principal	152,767	320,081	83,698	81,466 (9)	768,348	662,622	637,831	606,626	594,161	-
Interest	221,706	80,951	7,070	9,302	38,963	53,921	78,710	136,358	263,567	142,690
Total expenditures	<u>32,889,172</u>	<u>36,068,355</u>	<u>26,050,281</u>	<u>21,274,265</u>	<u>18,716,120</u>	<u>19,279,128</u>	<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>(729,526)</u>	<u>(6,435,869)</u>	<u>731,971</u>	<u>625,363</u>	<u>2,250,257</u>	<u>2,374,908</u>	<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	689,868	8,910,132 (11)	-	-	-	-	439,298	-	-	3,169,794
Proceeds from the sale of capital assets	5,313	30,416	16,761	42,616	2,474	-	-	-	-	-
Transfers in	33,585,858	(11,349,902)	(8,380,468)	(6,763,556)	(5,548,688)	5,525,003	2,494,465	4,468,083	2,024,010	435,764
Transfers out	(33,585,858)	11,349,902	8,380,468	6,763,556	5,548,688	(5,525,003)	(2,494,465)	(4,468,083)	(2,024,010)	(435,764)
Total other financing sources (uses)	<u>695,181</u>	<u>8,940,548</u>	<u>16,761</u>	<u>42,616</u>	<u>2,474</u>	<u>-</u>	<u>439,298</u>	<u>-</u>	<u>-</u>	<u>3,169,794</u>
Net change in fund balances	<u>\$ (34,345)</u>	<u>\$ 2,504,679</u>	<u>\$ 748,732</u>	<u>667,979</u>	<u>\$ 2,252,731</u>	<u>\$ 2,374,908</u>	<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	1.8%	1.9%	0.6%	0.6%	5.1%	4.3%	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 take over the services provided to its citizens by 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 to be recognized in the following year.

(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.

(5) Over \$3 million was spent on pavement management and intersection improvement projects in FY 2011 compared to \$1.2 million in FY2010.

(6) The parks and recreation program started several new initiatives in FY 2011 after bringing on the City's first parks and recreation department in FY2010.

(7) The significant decrease in Public Works is attributable to the timing of the Fall City-wide annual repaving project. It started later than the previous year causing a majority of the expenses to occur in FY13.

(8) Increase is related to the design, engineering and right-of-way acquisition for three intersection improvement projects.

(9) Decrease is related to the capital lease for the initial purchase of the police and fire fleet as the final payment was made in December 2011.

(10) The increase in Taxes is attributable to the renegotiation of the local option sales tax (LOST).

(11) During 2015, the City issued a revenue bond for the construction of Bell Memorial Park. The final draw will be made in FY2016 totaling \$9.6 million.

CITY OF MILTON, GEORGIA

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN 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
2011	10,344,474	4,002,244	49,294	1,993,830	2,146,711 (4)	18,536,553
2012	9,483,723	4,275,674	54,688	1,908,609	2,288,483	18,011,177
2013	9,637,928	4,282,107	60,997	1,945,143	2,397,425	18,323,600
2014	10,345,110	8,019,028	67,024	2,033,677	2,489,202	22,954,041
2015	11,560,676	8,700,581 (5)	72,020	1,948,945	2,584,121	24,866,343
2016	11,562,546	8,827,604	66,218	2,169,049	2,743,625	25,369,042

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.
- (4) Increase is due to an increase in insurance premium tax collected as a result of the 2010 census.
- (5) The increase in Taxes is attributable to the renegotiation of the local option sales tax (LOST).

CITY OF MILTON, GEORGIA

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

Calendar Year	Real Property				Personal Property		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
	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	\$ 115,890,870	\$ 1,881,166,910	4.731	\$ 4,702,917,275	40%
2008	1,736,045,560	10,186,370	256,484,210	120,560,241	98,030,130	33,507,520	165,634,720	2,089,179,311	4.731	5,222,948,278	40%
2009	1,741,900,680	12,825,640	303,561,320	11,088,906 (1)	115,598,780	38,324,470	136,024,400	2,087,275,396	4.731	5,218,188,490	40%
2010	1,672,908,870	13,029,220	290,104,230	10,714,726	101,093,870	38,891,340	141,732,770	1,985,009,486	4.731	4,962,523,715	40%
2011	1,581,151,070	13,611,950	265,995,430	10,785,887	104,790,450	39,977,520	142,480,190	1,873,832,117	4.731	4,684,580,293	40%
2012	1,611,543,600	14,620,660	275,506,580	12,481,572	116,670,630	44,950,190	161,283,460	1,914,489,772	4.731	4,786,224,430	40%
2013	1,595,165,150	12,125,270	258,792,510	12,728,701	125,271,430	43,507,380	132,198,007	1,915,392,434	4.731	4,788,481,085	40%
2014	1,742,503,130	11,051,350	254,051,410	12,028,354	110,057,590	42,298,840	140,408,130	2,031,582,544	4.731	5,078,956,360	40%
2015	1,925,135,570	9,487,010	290,030,100	17,016,803	80,438,520	43,798,770	144,492,060	2,221,414,713	4.731	5,914,766,933	40%
2016	2,012,576,030	8,679,430	365,874,440	19,928,091	55,613,700	44,691,780	145,509,390	2,361,854,081	4.731	6,268,408,678	40%

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 TEN 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 Fulton County Millage	Operating Millage	Debt Service Millage	Total School District Millage		
2007	4.731	10.281	-	10.281	16.403	1.099	17.502	0.250	32.764
2008	4.731	10.281	-	10.281	16.903	1.188	18.091	0.250	33.353
2009	4.731	10.281	-	10.281	17.502	-	17.502	0.250	32.764
2010	4.731	10.281	-	10.281	18.502	-	18.502	0.250	33.764
2011	4.731	10.281	0.270	10.551	18.502	-	18.502	0.250	34.034
2012	4.731	10.281	0.270	10.551	18.502	-	18.502	0.250	34.034
2013	4.731	10.211	0.270	10.481	18.502	-	18.502	0.150	33.864
2014	4.731	11.781	0.270	12.051	18.502	-	18.502	0.100	35.384
2015	4.731	10.500	0.250	10.750	18.502	-	18.502	0.050	34.033
2016	4.731	10.450	0.250	10.700	18.483	-	18.483	0.000	33.914

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
PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2016
CURRENT AND NINE YEARS AGO

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
IMT Capital III Deerfield LLC	\$ 41,752,000	1	1.77 %	\$ -		- %
Strata Deerfield LLC	34,000,000	2	1.44	-		-
Thirteen Five Sixty Morris	26,705,240	3	1.13	21,372,570	1	1.14
CH Realty VII Inwood MF Atlanta	21,600,000	4	0.91	-		-
TR Deerfield I LLC	17,576,680	5	0.74	-		-
Cellco Partnership (Verizon)	14,560,440	6	0.62	14,926,680	4	0.79
CSP Community Owner LLC	13,688,160	7	0.58	-		-
WB Holdings Deerfield Place	10,038,020	8	0.43	-		-
Scott H Lee TR	7,726,800	9	0.33	-		-
First Town LP	7,483,000	10	0.32	-		-
Alta Park LLC	-		-	16,404,010	2	0.87
Atlanta Preserve LLC	-		-	16,222,390	3	0.86
EQR Zurich LLC	-		-	11,866,480	5	0.63
Summit Properties Partnership	-		-	11,124,560	6	0.59
Sentine I Realty Partners IV	-		-	8,187,960	7	0.44
Banyan Street Gap Deerfield Two	-		-	6,111,200	8	0.32
Falling Water Inc	-		-	5,848,240	9	0.31
Atlanta Preserve II LLC	-		-	5,744,000	10	0.31
Totals	\$ 195,130,340		8.26 %	\$ 117,808,090		6.26 %

Source: Fulton County Tax Commissioner and City of Milton Finance Department

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

Fiscal Period Ended September 30,	Taxes Levied for the Fiscal Year	Subsequent Years Adjustments	Total Adjusted Levy	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	\$ 8,381,269	\$ (29,267)	\$ 8,352,002	\$ 7,589,313	90.6 %	\$ 762,689	\$ 8,352,002	100.0 %
2008	8,691,755	247,899	8,939,654	7,865,966	90.5	1,073,687	8,939,653	100.0
2009	9,094,228	(11,456)	9,082,772	1,119,192 (1)	12.3	7,963,056	9,082,248 (1)	100.0
2010	8,676,641	14,548	8,691,189	7,303,502	84.2	1,387,169	8,690,671	100.0
2011	8,114,251	53,146	8,167,397	7,783,723	95.9	382,649	8,166,372	100.0
2012	8,311,433	(89,275)	8,222,158	8,007,886	96.3	210,820	8,218,706	100.0
2013	8,187,290	50,577	8,237,867	7,948,752	97.1	279,454	8,228,206	99.9
2014	8,818,227	129,730	8,947,957	8,579,383	97.3	337,976	8,917,359	99.7
2015	9,845,651	47,354	9,893,005	9,545,176	96.9	315,788	9,860,964	99.7 %
2016	10,393,680	-	10,393,680	9,893,308	95.2 %	-	9,893,308	95.2 %

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 TEN FISCAL YEARS

Fiscal Period Ended September 30,	Governmental Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bond	Capital Leases Payable			
2007	\$ -	\$ 3,169,794	\$ 3,169,794	0.16 %	\$ 110.56
2008	-	2,575,633	2,575,633	0.13	85.34
2009	-	1,969,007	1,969,007	0.09	62.14
2010	-	1,770,473	1,770,473	0.10	54.21
2011	-	1,107,852	1,107,852	0.07	33.20
2012	-	339,504	339,504	0.02	10.05
2013	-	258,038	258,038	0.02	7.46
2014	-	174,340	174,340	0.01	4.91
2015	8,910,132	1,464,922	10,375,054	0.53	285.89
2016	9,600,000	1,312,155	10,912,155	0.53	289.00

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.
- (2) During 2015, the City issued a revenue bond for the construction of Bell Memorial Park.
- (3) The lease agreement for Fire Station No. 43 was revised to reflect a bargain purchase option at the end of the lease term, thus accounting for the significant increase in capital leases in 2015.

CITY OF MILTON, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF SEPTEMBER 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Fulton County	\$ 148,548,000	4.69 %	\$ 6,966,901
Fulton County School District	71,840,000	4.69	3,369,296
Total overlapping debt	220,388,000		10,336,197
City direct debt	10,912,155	100	10,912,155
Total direct and overlapping debt	\$ 231,300,155		\$ 21,248,352

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 TEN 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
2011	33,373	1,682,266	50,408	36.7	8,386	7.7
2012	33,775	1,463,876	43,342	37.4	9,133	7.0
2013	34,571	1,718,559	49,711	38.1	9,405	6.4
2014	35,513	1,805,801	50,849	38.6	9,621	5.0
2015	36,291	1,964,758	54,139	39	10,107	5.2
2016	37,758	2,044,180	54,139	38.9	10,306	5.0

(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.

(4) Source for Unemployment Rate: Georgia Labor Market Explorer.

(5) The increase in school enrollment from 2011 to 2012 is due to the opening of Cambridge High School.

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

CITY OF MILTON, GEORGIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Verizon	1,871	1	17.5 %	1,606	1	21.7 %
Fulton County Board of Education	1,034	2	9.7	822	2	11.1
Philips Electronics	427	3	4.0	-	-	-
Infor Global Solutions	388	4	3.6	520	3	7.0
Wal-Mart	297	5	2.8	345	6	4.7
Exide Technologies	241	6	2.3	285	7	3.8
Target	169	7	1.6	-	-	-
Country Financial	150	8	1.4	-	-	-
City of Milton	146	9	1.4	108	10	1.5
Publix	116	10	1.1	176	8	2.4
Alltel	-	-	-	400	4	5.4
Fry's Electronics	-	-	-	350	5	4.7
Home Depot	-	-	-	130	9	1.8
Totals	<u>4,839</u>		<u>45.2 %</u>	<u>4,742</u>		<u>64.0 %</u>

- (1) Source: Employers
- (2) Source: City of Milton Business License Applications
- (3) Progress Partners

CITY OF MILTON, GEORGIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-Time Equivalent Employees as of September 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Elected Officials	7	7	7	7	7	7	7	7	7	7
Executive Staff	-	-	-	-	-	-	-	-	-	1
City Manager	4	4	3	3	2	2	2	3	1	2
City Clerk	2	2	2	2	3	3	3	4	4	4
Operations	10	11	9	8	10	10	10	13	12	12
Judicial	4	4	4	4	4	4	4	4	4	2
Public Safety										
Administration	8	5	5	3	2	2	2	2	3	3
Police	35	35	29	29	32	28	28	28	27	19
Fire	53	58	57	55	55	55	54	54	54	40
Civilians	5	6	4	4	3	2	3	2	2	1
Public Works										
Admin & Engineering	5	4	4	4	4	4	3	3	3	2
Highways & Streets	5	5	3	3	3	3	3	2	2	2
Culture & Recreation	2	2	2	2	2	2	1	1	1	1
Community Development	6	6	10	10	10	10	10	8	9	12
Total	146	149	139	134	137	132	130	131	129	108

Source: City of Milton Human Resources Department

CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government										
Number of property tax accounts:										
Real property (4)	13,235	12,806	12,474	12,311	12,261	12,211	12,109	12,186	11,777	11,527
Personal property	768	498	474	474	475	461	395	575	564	461
Public utility	9	7	7	7	8	6	6	6	6	6
Human Resources										
Percentage of benefit cost to total compensation (6)	26.2%	34.8%	23.9%	20.8%	20.1%	23.8%	-	-	-	-
Percentage of personnel costs to General Fund budget (6)	47.3%	44.9%	41.0%	45.0%	45.2%	44.1%	-	-	-	-
City Clerk										
Ordinances adopted	27	36	39	43	41	37	29	21	32	64
Resolutions adopted	35	36	44	39	44	37	49	60	65	65
Council Meetings (Reg/Work Sessions/Special Called)	43	39	40	38	41	39	56	48	49	44
Council Meeting Minutes (Pages) (6)	728	722	754	482	548	381	-	-	-	-
Total Hours of Council Meetings (6)	92	77	64	59	62	80	-	-	-	-
Judicial										
Cases processed	4,434	4,548	5,947	4,789	4,497	4,547	4,889	5,660	5,580	3,219
Cases closed	4,371	5,397	6,037	4,287	5,070	4,655	5,059	5,413	5,390	2,348
Non-jury trials	282	252	203	197	170	156	164	96	175	54
Warrants issued	81	112	98	29	79	93	117	25	100	33
Police (1)										
Calls for service	7,764	9,000	6,775	7,351	14,710	10,242	9,116	8,861	10,335	4,005
Alarms	1,723	2,115	1,558	2,649	1,798	2,165	2,066	1,910	2,061	850
Accidents	733	663	611	589	581	497	514	524	477	235
Traffic stops	7,608	7,874	7,776	6,808	6,124	6,230	6,294	5,645	4,916	2,350
Warnings issued	1,837	4,345	3,490	3,399	2,451	3,436	3,756	2,428	1,957	958
Citations issued	4,434	5,321	5,914	4,785	1,564	4,493	4,061	5,034	4,761	2,359
DUIs	92	56	87	73	47	122	134	104	70	33
Traffic arrests	356	258	295	208	295	161	146	167	197	100
Fire (2)										
Number of preplans completed	404	517	693	262	257	174	NA	-	-	-
Hours of Training	14,425	20,439	15,614	6,394	4,829	6,717	14,090	-	-	-
Fire calls	96	90	113	110	97	102	167	-	-	-
Rescue/EMS calls	1,092	1,218	1,166	992	1,025	932	972	-	-	-
Overpressure/Explosion	1	2	1	2	5	-	11	-	-	-
Hazardous Conditions	85	84	77	68	62	72	52	-	-	-
Service Call	302	304	310	246	209	211	267	-	-	-
Good Intent Call	560	385	370	303	347	503	319	-	-	-
False Alarm	239	264	256	202	215	306	493	-	-	-
Severe Weather	14	3	5	6	7	10	7	-	-	-
Special Incident (other)	6	19	10	12	29	14	9	-	-	-
Community education in hours	685	466	412	335	1,141	179	141	-	-	-
Average response time	6:11	6:01	6:04	5:54	5:53	5:57	5:35	-	-	-
Safety Issues (11)	-	187	210	248	244	377	NA	-	-	-
Inspections (11)	642	-	-	-	-	-	-	-	-	-
Plan Review (11)	109	-	-	-	-	-	-	-	-	-
Hydrants Inspected	2,446	2,348	1,764	4,396	4,345	5,604	3,344	-	-	-
Investigations	17	19	14	18	13	20	12	-	-	-
Public Works										
Work requests (3)	1,279	1,915	2,123	1,852	1,396	1,175	1,837	2,129	509	113
Potholes repaired (8)	140	122	111	129	-	-	-	-	-	-
Shoulder restoration (8)	64	31	52	67	-	-	-	-	-	-
Sign maintenance (8)	115	168	242	185	-	-	-	-	-	-
New sign installation (8)	61	72	108	103	-	-	-	-	-	-
Stormwater maintenance calls (8)	29	56	23	38	-	-	-	-	-	-
Traffic signal preventative maintenance (8)	12	17	18	10	-	-	-	-	-	-
Signal maintenance (8)	115	15	24	37	-	-	-	-	-	-
Pavement condition index (8)	71	71	71	71	-	-	-	-	-	-

CITY OF MILTON, GEORGIA

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

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Culture and Recreation										
Number of annual city-sponsored events	28	28	15	11	11	12	9	6	5	1
Crabapple Fest attendance ⁽¹⁰⁾	40,320	8,500	30,000	15,000	2,000	3,500	5,000	1,500	3,500	3,500
Number of programs ⁽⁸⁾	32	38	48	34	-	-	-	-	-	-
Attendance for recreation programs not including baseball ⁽⁸⁾	2,105	1,587	2,157	1,331	-	-	-	-	-	-
Participants in youth baseball ⁽⁹⁾	497	270	569	1,121	1,135	1,099	1,139	1,159	1,255	1,148
Housing and Development										
Business licenses issued ⁽⁷⁾	968	944	998	968	1,030	1,150	886	898	835	754
Planning & Zoning										
Zoning certification letters	15	21	16	12	5	3	5	5	7	11
Zoning modifications processed	1	1	6	-	4	2	5	3	9	7
Special use permits processed	2	5	8	6	1	2	5	2	7	10
Text amendments ⁽⁵⁾	12	18	18	12	9	15	4	-	-	-
Rezoning requests processed ⁽⁵⁾	4	4	8	9	7	3	3	-	-	-
Variances processed	16	33	26	13	20	21	22	23	39	22
Land disturbance permits	65	45	60	44	49	15	10	9	13	10
Final plats / minor plats signed	30	37	46	31	18	18	10	16	20	33
Development inspections	2,817	2,751	2,840	2,544	2,774	2,670	2,796	2,880	2,894	2,965
Building Inspections										
Building permits issued	1,679	1,452	1,022	982	917	821	950	979	1,835	1,545
Certificates of occupancy issued	385	347	405	362	233	220	319	272	327	343
Sign permits issued	80	90	77	89	89	109	138	55	171	151
Code Enforcement										
Code enforcement inspection	964	901	775	679	613	463	507	850	2,001	1,641
Notice of violations issued	132	6	371	456	320	153	435	240	580	465
Citations issued	4	6	2	11	5	2	2	16	69	42
Follow up Inspections ⁽⁵⁾	850	845	398	491	326	241	243	-	-	-
Sign sweeps ⁽⁵⁾	8	18	6	8	5	2	5	-	-	-

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) Starting in FY 2010, the Fire Department changed the statistical data they tracked to provide better information to the citizens. Prior data is not available.
- (3) Publicity and tracking of the City's work request call line improved in FY 2008.
- (4) The number of parcels between 2008 and 2009 increased dramatically due to a couple of large tracts of land being subdivided.
- (5) New indicators the City started tracking in FY 2010.
- (6) New indicators the City started tracking in FY 2011.
- (7) The business licenses number increased significantly in FY 2011 primarily because it includes licenses issued to insurance companies that weren't included in previous years.
- (8) New indicators the City started tracking in FY 2013.
- (9) The renovation of Bell Memorial Park interrupted the spring youth baseball season resulting in lower participation numbers for FY 2014.
- (10) In 2013, the Crabapple Fest was combined with the Milton Roundup, which greatly expanded the event to include more vendor space and thus attendance increased significantly.
- (11) New indicators the City started tracking in FY2016 instead of "safety issues" to provide more appropriate data.

CITY OF MILTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government Vehicles	2	2	1	1	1	1	1	-	-	-
Public Safety Administration Vehicles	-	-	-	-	-	-	-	2	3	3
Police Vehicles	51	46	43	37	41	33	29	25	23	21
Fire Vehicles	17	15	14	13	10	9	9	5	6	5
Stations	3	3	3	3	3	3	3	3	3	3
Tornado Siren	10	9	-	-	-	-	-	-	-	-
Public Works Streets (miles)	180	158	158	158	158	158	158	158	158	151
Bridges	34	31	31	31	31	31	31	31	31	31
Traffic signals	16	11	11	11	11	11	11	11	11	11
Flashing beacons	9	9	9	9	9	9	9	9	9	9
Vehicles	5	7	3	3	3	3	3	-	-	-
Culture and Recreation Park acreage	251	251	203	203	190	186	227	227	227	227
Recreational facilities	5	5	4	4	4	4	4	4	4	4
Parks (1)	4	3	3	3	1	1	1	1	1	1
Playgrounds (1)	2	-	-	-	-	-	-	-	-	-
Athletic fields	6	6	4	4	4	4	4	4	4	4
Vehicles	2	1	-	-	-	-	-	-	-	-
Housing and Development Vehicles	2	2	4	4	3	3	3	-	-	-

Source: Various City departments.

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

Note: The Public Safety Admin department was dissolved in FY 2009 and split into Police and Fire.

Note: The City terminated the public/private partnership in FY 2010 and brought services and assets in-house.

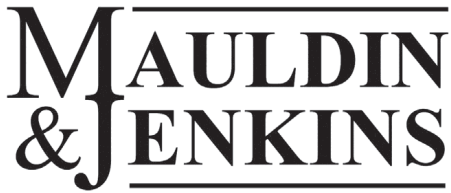
Note: Bridges were inventoried and valued in FY 2011, but are considered a "donated" asset at the incorporation of the city.

(1) Parks and playgrounds were broken into two separate categories in FY16 to represent a more clear picture of the assets

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, in accordance with the 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2016-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City of Milton, Georgia's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 28, 2017

CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? 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 fiscal year ended September 30, 2016 due to the total amount expended being less than \$750,000.

CITY OF MILTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016-001 Expenditures and Related Balance Sheet Accounts

Criteria: Internal controls should be in place to ensure that the financial statements include all expenditures of the City for the period being reported.

Condition: A material misstatement was detected in the reporting of the City's expenditures and related liabilities.

Context/Cause: During our audit for the fiscal year ended September 30, 2016, a material misstatement was identified in the Emergency 911 Fund. The expenditures of the fund did not include all amounts required to be remitted to the third party to whom the City is sending its E-911 collections for emergency telephone system services.

Effects: As a result, an audit adjustment in the amount of approximately \$215,000 was required to properly record expenditures and accrued liabilities of the Emergency 911 Fund as of and for the fiscal year ended September 30, 2016.

Recommendations: We recommend the City carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles (GAAP) to ensure that all expenditures have been reported in the proper accounting period.

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

CITY OF MILTON, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable