



## Financial Statements and Supplementary Information

*Fiscal Year Ended September 30, 2020*

**CITY OF MILTON, FLORIDA  
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FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council Members  
The City of Milton, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Milton, Florida (the City), as of and for the year ended September 30, 2020, 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.

### **Auditors' 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 auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Florida, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the Community Redevelopment Agency Fund 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 Management's Discussion and Analysis, Pension and OPEB Schedules, as outlined 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 of Milton, Florida's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements 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 non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the City of Milton, Florida'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 City of Milton, Florida's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Pensacola, Florida  
April 6, 2021

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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As management of the City of Milton, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended September 30, 2020.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$41 million (net position), which represents an increase of \$2.5 million from the prior year. Of this amount, \$23 million represents net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$9 million is restricted for future obligations, and \$9 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The net position of the governmental-type activities of the City increased by \$1.3 million from the prior year.
- The net position of the business-type activities of the City increased by \$1.1 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$7 million, an increase of \$629 thousand. Approximately \$2 million of the ending fund balances are nonspendable, restricted or assigned, and \$5 million (or 72%) is available for spending.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5 million or approximately six months of General Fund operating expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The focus of the financial statements is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year, government-to-government) and enhance the City's accountability.

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



**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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**Government-Wide Financial Statements**

Designed to be corporate-like, the government-wide financial statements consolidate governmental and business-type activities into two columns, which add to a total for Primary Government. This provides readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets/deferred outflows and liabilities/deferred inflows of resources, with the difference reported as net position. This statement combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the City.

The statement of activities presents information showing how the government's net position changed during the most recent 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 flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). The governmental activities of the City include general government (City Clerk, City Council, City Manager, human resources, finance, purchasing, fleet maintenance, service maintenance, administration, public works and non-departmental expenses), public safety (police and fire), transportation (streets), economic environment, culture and recreation (parks), special revenue (Police Special Investigations, Red Light Camera Operations), capital projects and debt service. The business-type activities of the City include natural gas, water and sewer, sanitation, Sundial utilities and the non-major funds (marina and stormwater).

**Fund Financial Statements**

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

**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.

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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Such information may be useful in evaluating a government's near-term financial requirements.

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

The City maintains the following individual governmental funds: General Fund, Community Redevelopment Agency (CRA) Fund, Police Special Investigation Fund, Red Light Camera Fund, Capital Projects Fund and Debt Service Fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, Community Redevelopment Agency Fund and Capital Projects Fund, which are considered major funds. Data from the other governmental funds (Police Special Investigation Fund, Red Light Camera Fund and Debt Service Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

The City adopts an annual appropriated budget for its General Fund and CRA fund. A budgetary comparison statement is provided for each of these funds to demonstrate compliance with the budget.

**Proprietary Funds**

All proprietary type funds of the City are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utility operations (natural gas, water and sewer, sanitation, Sundial utilities, marina, and stormwater).

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary funds include the Pension Trust Funds (general employees, firefighters, and police) and the Retired Employees' Insurance Fund. 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 accounting used for fiduciary funds is much like that used for proprietary funds.

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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**NOTES TO FINANCIAL STATEMENTS**

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information on pensions.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41 million (net position) for the fiscal year, as reported in Table 1. As reported in Table 2, the overall increase in the City's net position was \$2.5 million during the fiscal year.

By far the largest portion of the City's net position, \$23 million, reflects its investment in capital assets (e.g. land, infrastructure, buildings, 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 reports investment in its capital assets 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 used to liquidate these liabilities.

An additional portion of the City's net position \$9 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9 million, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

**Table 1  
CITY OF MILTON, FLORIDA  
STATEMENTS OF NET POSITION  
AS OF SEPTEMBER 30, 2020 AND 2019**

|   | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| Current and other asset                     | \$ 7,515,056            | \$ 6,895,507         | \$ 18,824,051            | \$ 16,536,832        | \$ 26,339,107        | \$ 23,432,339        |
| Capital assets                              | 10,373,668              | 9,499,668            | 19,441,720               | 21,151,190           | 29,815,388           | 30,650,858           |
| <b>Total assets</b>                         | <b>17,888,724</b>       | <b>16,395,175</b>    | <b>38,265,771</b>        | <b>37,688,022</b>    | <b>56,154,495</b>    | <b>54,083,197</b>    |
| <b>Total deferred outflows of resources</b> | <b>2,326,331</b>        | <b>2,220,946</b>     | <b>437,889</b>           | <b>378,502</b>       | <b>2,764,220</b>     | <b>2,599,448</b>     |
| Long-term liabilities outstanding           | 6,868,956               | 6,810,514            | 8,662,809                | 9,167,464            | 15,531,765           | 15,977,978           |
| Other liabilities                           | 522,569                 | 532,088              | 379,845                  | 367,521              | 902,414              | 899,609              |
| <b>Total liabilities</b>                    | <b>7,391,525</b>        | <b>7,342,602</b>     | <b>9,042,654</b>         | <b>9,534,985</b>     | <b>16,434,179</b>    | <b>16,877,587</b>    |
| <b>Total deferred inflows of resources</b>  | <b>1,417,828</b>        | <b>1,250,153</b>     | <b>295,961</b>           | <b>325,835</b>       | <b>1,713,789</b>     | <b>1,575,988</b>     |
| Net position                                |                         |                      |                          |                      |                      |                      |
| Net investment in capital assets            | 10,275,805              | 9,353,865            | 12,556,880               | 13,681,257           | 22,832,685           | 23,035,122           |
| Restricted                                  | 1,504,967               | 1,583,873            | 7,523,518                | 5,892,368            | 9,028,485            | 7,476,241            |
| Unrestricted (deficit)                      | (375,070)               | (914,372)            | 9,284,647                | 8,632,079            | 8,909,577            | 7,717,707            |
| <b>Total net position</b>                   | <b>\$ 11,405,702</b>    | <b>\$ 10,023,367</b> | <b>\$ 29,365,045</b>     | <b>\$ 28,205,704</b> | <b>\$ 40,770,747</b> | <b>\$ 38,229,071</b> |

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

Governmental activities increased the City's net position by \$1.3 million and business-type activities increased the City's net position by \$1.1 million. Reported in Table 2 are the key elements of these changes.

**Table 2  
CITY OF MILTON, FLORIDA  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

|   | Governmental Activities |                      | Business-Type Activities |                      | Total                |                      |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2020                    | 2019                 | 2020                     | 2019                 | 2020                 | 2019                 |
| <b>REVENUES</b>   |                         |                      |                          |                      |                      |                      |
| <b>Program revenues</b>                                     |                         |                      |                          |                      |                      |                      |
| Charges for services  | \$ 3,057,504            | \$ 2,994,681         | \$ 13,829,042            | \$ 13,652,399        | \$ 16,886,546        | \$ 16,647,080        |
| Capital grants and contributions                            | 739,142                 | 268,211              | 1,177,843                | 922,637              | 1,916,985            | 1,190,848            |
| <b>General revenues</b>                                     |                         |                      |                          |                      |                      |                      |
| Property taxes  | 1,166,948               | 1,080,508            | -                        | -                    | 1,166,948            | 1,080,508            |
| Other taxes   | 2,090,430               | 2,010,402            | -                        | -                    | 2,090,430            | 2,010,402            |
| Other revenue   | 1,612,378               | 1,566,896            | 68,030                   | 81,197               | 1,680,408            | 1,648,093            |
| <b>TOTAL REVENUES</b>                                       | <b>8,666,402</b>        | <b>7,920,698</b>     | <b>15,074,915</b>        | <b>14,656,233</b>    | <b>23,741,317</b>    | <b>22,576,931</b>    |
| <b>EXPENSES</b>   |                         |                      |                          |                      |                      |                      |
| <b>Primary government</b>                                   |                         |                      |                          |                      |                      |                      |
| General government  | 3,317,738               | 3,882,876            | -                        | -                    | 3,317,738            | 3,882,876            |
| Public safety   | 4,442,300               | 4,384,051            | -                        | -                    | 4,442,300            | 4,384,051            |
| Transportation  | 1,093,337               | 1,110,420            | -                        | -                    | 1,093,337            | 1,110,420            |
| Economic environment  | 256,510                 | 290,286              | -                        | -                    | 256,510              | 290,286              |
| Culture and Recreation                                      | 1,433,366               | 1,611,480            | -                        | -                    | 1,433,366            | 1,611,480            |
| Debt service interest                                       | 3,971                   | 5,864                | -                        | -                    | 3,971                | 5,864                |
| <b>Business-type activities</b>                             |                         |                      |                          |                      |                      |                      |
| Natural gas   | -                       | -                    | 2,980,756                | 2,849,847            | 2,980,756            | 2,849,847            |
| Water and sewer   | -                       | -                    | 5,585,327                | 5,783,657            | 5,585,327            | 5,783,657            |
| Sanitation  | -                       | -                    | 1,407,554                | 1,368,960            | 1,407,554            | 1,368,960            |
| Sundial utilities   | -                       | -                    | 500,792                  | 431,300              | 500,792              | 431,300              |
| Non-major proprietary funds                                 | -                       | -                    | 177,990                  | 224,027              | 177,990              | 224,027              |
| <b>TOTAL EXPENSES</b>                                       | <b>10,547,222</b>       | <b>11,284,977</b>    | <b>10,652,419</b>        | <b>10,657,791</b>    | <b>21,199,641</b>    | <b>21,942,768</b>    |
| <b>Increase (decrease) in net position before transfers</b> | <b>(1,880,820)</b>      | <b>(3,364,279)</b>   | <b>4,422,496</b>         | <b>3,998,442</b>     | <b>2,541,676</b>     | <b>634,163</b>       |
| Transfers   | 3,263,155               | 3,260,184            | (3,263,155)              | (3,260,184)          | -                    | -                    |
| <b>Increase (decrease) in net position</b>                  | <b>1,382,335</b>        | <b>(104,095)</b>     | <b>1,159,341</b>         | <b>738,258</b>       | <b>2,541,676</b>     | <b>634,163</b>       |
| <b>NET POSITION, BEGINNING</b>                              | <b>10,023,367</b>       | <b>10,127,462</b>    | <b>28,205,704</b>        | <b>27,467,446</b>    | <b>38,229,071</b>    | <b>37,594,908</b>    |
| <b>NET POSITION, ENDING</b>                                 | <b>\$ 11,405,702</b>    | <b>\$ 10,023,367</b> | <b>\$ 29,365,045</b>     | <b>\$ 28,205,704</b> | <b>\$ 40,770,747</b> | <b>\$ 38,229,071</b> |

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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**FINANCIAL IMPACTS**

**Normal Impacts**

There are eight basic impacts on revenues and expenses as reflected below:

***Revenues***

- Economic Condition: This can reflect a declining, stable or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- Council Approved Rate Adjustments: While certain tax rates are set by statute, the City Council has significant authority to impose and periodically adjust rates (water, wastewater, natural gas, sanitation, stormwater, impact fees, recreation user fees, etc.).
- Changing Patterns in Intergovernmental Grant Revenue (Both Recurring and Non- Recurring): Certain recurring revenues (e.g. state revenue sharing and community development block grants) may experience significant changes periodically, while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- Market Impacts on Investment Income: The current market conditions have a significant influence on the City's investment income, causing it to fluctuate greatly.

***Expenses***

- Introduction of New Programs: Within functional expense categories (police, fire, public works, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments: Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent a significant portion of the City's operating costs.
- Salary Adjustments: The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.
- Inflation: While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities, such as paper, chemicals, supplies, fuel, oil and parts. Some fluctuations may experience commodity specific increases.

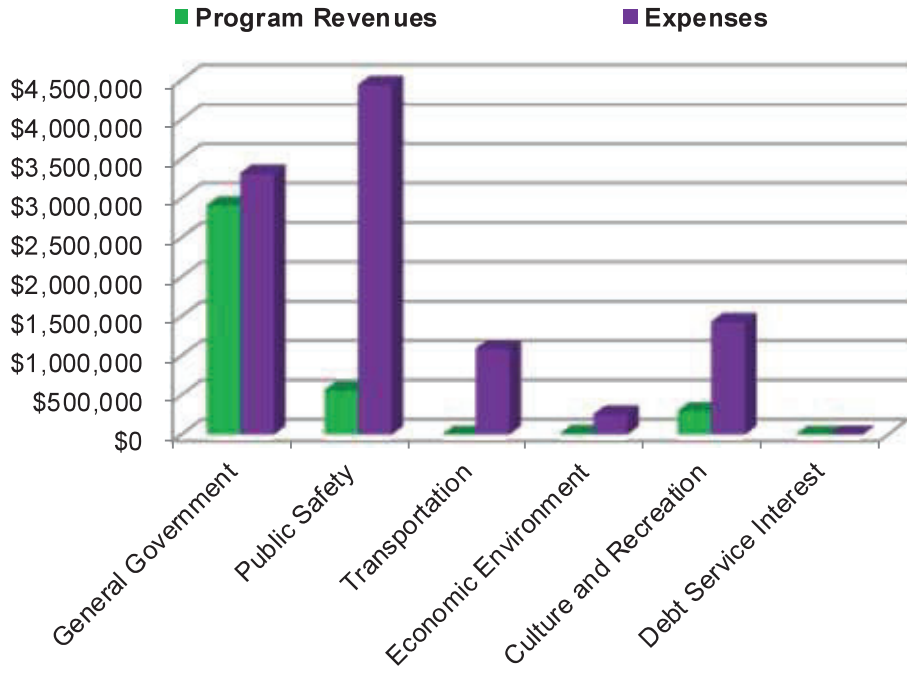
**Current Year Impacts – Governmental Activities**

- Grants and contributions increased by \$471 thousand due to the current year COVID-19 grant funding through the CARES Act, as well as the Carpenters Park grant in relation to the splash pad construction.

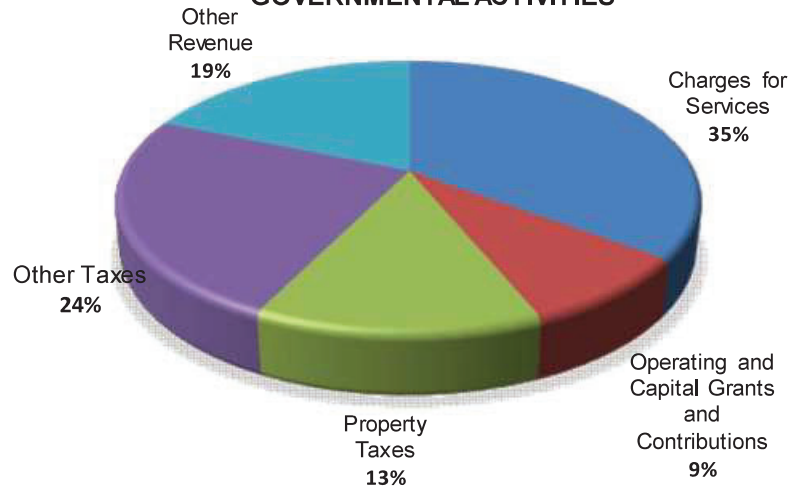
**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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**CHART 1  
EXPENSES AND PROGRAM REVENUES  
Governmental Activities**



**CHART 2  
REVENUES BY SOURCE  
GOVERNMENTAL ACTIVITIES**



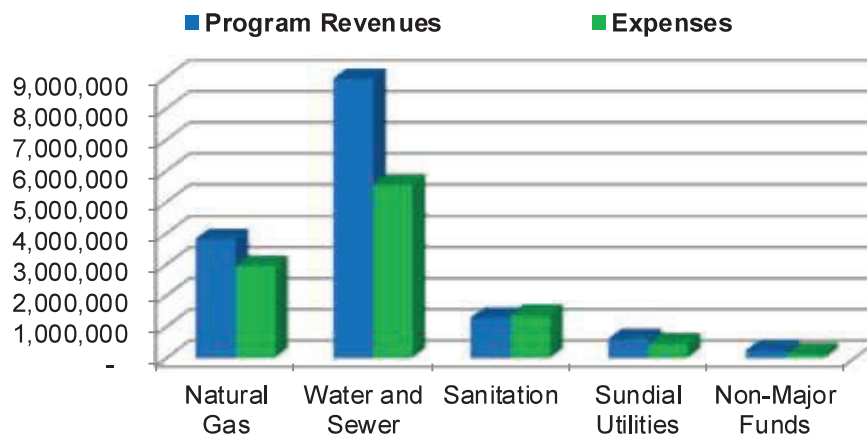
**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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**Current Year Impacts – Business-Type Activities**

- Charges for services and capital grants and contributions, which relates to impact fees, increased by \$390 thousand, predominantly due to continued growth in Milton customer base and new housing in the area.

**CHART 3  
EXPENSES AND PROGRAM REVENUES  
*Business-Type Activities***





**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on current 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 the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7 million, an increase of \$629 thousand from the prior year. \$5 million constitutes unassigned fund balance, which is available for spending at the City Council's discretion. The remaining fund balance is restricted or assigned for various purposes and commitments.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents approximately seven months of the General Fund operating expenditures.

During the current fiscal year, the fund balance of the City's General Fund increased by \$710 thousand. The key factor in the increase in fund balance is due to the previously mentioned CARES Act funding, as well as reduction in overall costs during the year.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements but are more detailed.

Unrestricted net position of the proprietary funds totaled \$9 million at the end of the year. Proprietary funds net position increased by \$1.1 million. The factors concerning the finances of these proprietary funds have been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budgeted expenditures were increased by \$130 thousand, budgeted revenues were increased by \$11 thousand and budgeted net transfers decreased by \$118 thousand, as presented in the final amended budget.

Actual results, when compared to the final budget, show a variance of \$700 thousand. The key factors in this variance are the result of changes in projects and costs during the COVID-19 pandemic.

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

**CAPITAL ASSETS AND OUTSTANDING DEBT**

**Capital Assets**

The City's investments in capital assets for its governmental and business-type activities, as of September 30, 2020, amounts to \$30 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage system improvements, machinery and equipment, park facilities, roads and highways, etc. The overall decrease in the City's capital assets is essentially attributable to current year depreciation offset by current year acquisitions.

**Table 3  
CITY OF MILTON, FLORIDA  
CAPITAL ASSETS  
(Net of Depreciation)  
AS OF SEPTEMBER 30, 2020 AND 2019**

|                                      | Governmental Activities |              | Business-Type Activities |               | Total         |               |
|--------------------------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
|                                      | 2020                    | 2019         | 2020                     | 2019          | 2020          | 2019          |
| Land                                 | \$ 3,240,182            | \$ 3,080,155 | \$ 1,073,027             | \$ 1,073,027  | \$ 4,313,209  | \$ 4,153,182  |
| Construction in progress             | 1,538,423               | 530,989      | 2,800,180                | 2,501,005     | 4,338,603     | 3,031,994     |
| Buildings                            | 1,133,587               | 1,328,101    | 5,500                    | 11,500        | 1,139,087     | 1,339,601     |
| Improvements other<br>than buildings | 3,653,411               | 3,629,127    | 14,035,699               | 16,137,491    | 17,689,110    | 19,766,618    |
| Machinery and equipment              | 808,065                 | 931,296      | 1,527,314                | 1,428,167     | 2,335,379     | 2,359,463     |
| <b>Total</b>                         | \$ 10,373,668           | \$ 9,499,668 | \$ 19,441,720            | \$ 21,151,190 | \$ 29,815,388 | \$ 30,650,858 |

Additional information on the capital assets of the City can be found in Note 5 of this report.

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

**Outstanding Debt**

At the end of the current fiscal year, the City had total debt outstanding of \$7.7 million. All of the City's debt represents loans secured solely by specified revenue sources (i.e., utility and tax revenues). The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt.

**Table 4  
CITY OF MILTON, FLORIDA  
LONG-TERM DEBT OUTSTANDING  
AS OF SEPTEMBER 30, 2012 AND 2019**

|                         | Governmental Activities |                   | Business-Type Activities |                     | Total               |                     |
|-------------------------|-------------------------|-------------------|--------------------------|---------------------|---------------------|---------------------|
|                         | 2020                    | 2019              | 2020                     | 2019                | 2020                | 2019                |
| Notes and loans payable | \$ -                    | \$ -              | \$ 6,884,829             | \$ 7,469,933        | \$ 6,884,829        | \$ 7,469,933        |
| Capital leases          | 97,863                  | 145,803           | -                        | -                   | 97,863              | 145,803             |
| Compensated absences    | 584,526                 | 508,980           | 153,200                  | 155,992             | 737,726             | 664,972             |
| <b>Total</b>            | <u>\$ 682,389</u>       | <u>\$ 654,783</u> | <u>\$ 7,038,029</u>      | <u>\$ 7,625,925</u> | <u>\$ 7,720,418</u> | <u>\$ 8,280,708</u> |

Additional information on the City's long-term debt can be found in Note 9 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The State of Florida, by constitution, does not have a state personal income tax; therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise and occupational license) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal Governments, which provide funding for specific programs, projects or activities. For the business-type activities and certain governmental activities (permitting and recreational programs), the user pays a related fee or charge associated with the service.

The level of taxes, fees and charges for services (including development related impact fees) has an impact on the City's specific competitive ability to encourage development and redevelopment (office, retail, residential and industrial) for those businesses that choose to locate in our jurisdiction. As the City has limited growth potential, it places great emphasis on redevelopment, and it is essential for the continued financial and economic health of our community.

**CITY OF MILTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

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The military has a significant presence in our community with Whiting Field Naval Base employing military and civilian personnel. This installation is essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$30 billion annual impact on Florida's economy. The Governor's Office of Trade, Tourism & Economic Development (OTTED) is positioned closely with the military commanders in Florida, which may aid in limiting future base realignment and closures from negatively affecting this area.

This strong relationship with the commanders gives the Governor and the state early warning of support issues they contend with on a regular basis. Regional economic indicators were also considered in preparing the upcoming fiscal year's budget for the City:

- The local unemployment rate increased during the fiscal year as a result of the COVID-19 pandemic. The unemployment rate will impact the City's fee and usage-based revenues and shared portions of the State of Florida's usage-based taxes.
- Property tax revenues are anticipated to increase slightly year-over-year by most regional municipalities.
- COVID-19 event closures and impacts are anticipated to continue through the next fiscal year impacting fee-based revenues and impact collections from customers.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's financial information. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Chief Accountant, 6738 Dixon Street, Milton, Florida 32572. The City's website address is [www.ci.milton.fl.us](http://www.ci.milton.fl.us). Inquiries may also be sent via email to the Finance Department at [chiefaccountant@mymiltonflorida.com](mailto:chiefaccountant@mymiltonflorida.com).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MILTON, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

|                                       | Primary Government         |                             |                      |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>                         |                            |                             |                      |
| Cash and cash equivalents             | \$ 4,904,521               | \$ 9,534,379                | \$ 14,438,900        |
| Receivables, net                      | 257,283                    | 1,420,209                   | 1,677,492            |
| Due from other governments            | 842,691                    | 20,191                      | 862,882              |
| Inventory                             | 258,602                    | 107,423                     | 366,025              |
| Restricted assets                     |                            |                             |                      |
| Cash and cash equivalents             | 1,251,959                  | 7,741,849                   | 8,993,808            |
| Capital assets                        |                            |                             |                      |
| Non-depreciable                       | 4,778,605                  | 3,873,207                   | 8,651,812            |
| Depreciable, net                      | 5,595,063                  | 15,568,513                  | 21,163,576           |
| <b>TOTAL ASSETS</b>                   | <b>17,888,724</b>          | <b>38,265,771</b>           | <b>56,154,495</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                            |                             |                      |
| OPEB related                          | 256,357                    | 87,217                      | 343,574              |
| Pension related                       | 2,069,974                  | 350,672                     | 2,420,646            |
| <b>TOTAL DEFERRED OUTFLOWS</b>        | <b>2,326,331</b>           | <b>437,889</b>              | <b>2,764,220</b>     |
| <b>LIABILITIES</b>                    |                            |                             |                      |
| Accounts payable                      | 208,947                    | 307,518                     | 516,465              |
| Accrued liabilities                   | 164,943                    | 72,327                      | 237,270              |
| Unearned revenue                      | 148,679                    | -                           | 148,679              |
| Compensated absences                  | 500,574                    | 143,269                     | 643,843              |
| Notes and loans payable               | -                          | 597,900                     | 597,900              |
| Capital lease payable                 | 48,590                     | -                           | 48,590               |
| Payable from restricted assets        |                            |                             |                      |
| Customer deposits                     | -                          | 793,292                     | 793,292              |
| Non-current liabilities               |                            |                             |                      |
| Compensated absences                  | 83,952                     | 9,931                       | 93,883               |
| Notes and loans payable               | -                          | 6,286,940                   | 6,286,940            |
| Capital lease payable                 | 49,273                     | -                           | 49,273               |
| Net OPEB                              | 580,121                    | 252,589                     | 832,710              |
| Net pension liability                 | 5,606,446                  | 578,888                     | 6,185,334            |
| <b>TOTAL LIABILITIES</b>              | <b>7,391,525</b>           | <b>9,042,654</b>            | <b>16,434,179</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                            |                             |                      |
| OPEB related                          | 547,849                    | 214,134                     | 761,983              |
| Pension related                       | 869,979                    | 81,827                      | 951,806              |
| <b>TOTAL DEFERRED INFLOWS</b>         | <b>1,417,828</b>           | <b>295,961</b>              | <b>1,713,789</b>     |
| <b>NET POSITION</b>                   |                            |                             |                      |
| Net investment in capital assets      | 10,275,805                 | 12,556,880                  | 22,832,685           |
| Restricted                            |                            |                             |                      |
| Debt service                          | -                          | 1,313,635                   | 1,313,635            |
| Public safety                         | 174,328                    | -                           | 174,328              |
| Community redevelopment               | 50,048                     | -                           | 50,048               |
| Capital projects                      | 1,280,591                  | 6,209,883                   | 7,490,474            |
| Unrestricted (deficit)                | (375,070)                  | 9,284,647                   | 8,909,577            |
| <b>TOTAL NET POSITION</b>             | <b>\$ 11,405,702</b>       | <b>\$ 29,365,045</b>        | <b>\$ 40,770,747</b> |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

| Function/program activities           | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
|                                       | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                      |
|                                       |                      |                      |                                    |                                  | Governmental Activities                           | Business-type Activities | Total                |
| Governmental activities               |                      |                      |                                    |                                  |   |                          |                      |
| General government                    | \$ 3,317,738         | \$ 2,426,082         | \$ -                               | \$ 489,142                       | \$ (402,514)                                      | \$ -                     | \$ (402,514)         |
| Public safety                         | 4,442,300            | 564,645              | -                                  | -                                | (3,877,655)                                       | -                        | (3,877,655)          |
| Transportation                        | 1,093,337            | -                    | -                                  | -                                | (1,093,337)                                       | -                        | (1,093,337)          |
| Economic environment                  | 256,510              | 14,250               | -                                  | -                                | (242,260)   | -                        | (242,260)            |
| Culture and recreation                | 1,433,366            | 52,527               | -                                  | 250,000                          | (1,130,839)                                       | -                        | (1,130,839)          |
| Debt service interest                 | 3,971                | -                    | -                                  | -                                | (3,971)   | -                        | (3,971)              |
| <b>Total governmental activities</b>  | <b>10,547,222</b>    | <b>3,057,504</b>     | <b>-</b>                           | <b>739,142</b>                   | <b>(6,750,576)</b>                                | <b>-</b>                 | <b>(6,750,576)</b>   |
| Business-type activities              |                      |                      |                                    |                                  |   |                          |                      |
| Natural gas                           | 2,980,756            | 3,821,133            | 9,909                              | -                                | -   | 850,286                  | 850,286              |
| Water and sewer                       | 5,585,327            | 7,811,486            | 4,862                              | 1,157,652                        | -   | 3,388,673                | 3,388,673            |
| Sanitation                            | 1,407,554            | 1,301,815            | 5,420                              | -                                | -   | (100,319)                | (100,319)            |
| Sundial utilities                     | 500,792              | 625,369              | -                                  | -                                | -   | 124,577                  | 124,577              |
| Non-major proprietary funds           | 177,990              | 269,239              | -                                  | -                                | -   | 91,249                   | 91,249               |
| <b>Total business-type activities</b> | <b>10,652,419</b>    | <b>13,829,042</b>    | <b>20,191</b>                      | <b>1,157,652</b>                 | <b>-</b>  | <b>4,354,466</b>         | <b>4,354,466</b>     |
| <b>Total primary government</b>       | <b>\$ 21,199,641</b> | <b>\$ 16,886,546</b> | <b>\$ 20,191</b>                   | <b>\$ 1,896,794</b>              | <b>(6,750,576)</b>                                | <b>4,354,466</b>         | <b>(2,396,110)</b>   |
| General revenues                      |                      |                      |                                    |                                  |   |                          |                      |
| Taxes                                 |                      |                      |                                    |                                  |   |                          |                      |
| Property taxes                        |                      |                      |                                    |                                  | 1,166,948   | -                        | 1,166,948            |
| Sales taxes                           |                      |                      |                                    |                                  | 843,633   | -                        | 843,633              |
| Utility service taxes                 |                      |                      |                                    |                                  | 1,246,797   | -                        | 1,246,797            |
| Municipal revenue sharing             |                      |                      |                                    |                                  | 1,341,285   | -                        | 1,341,285            |
| Investment earnings                   |                      |                      |                                    |                                  | 116,705   | 45,183                   | 161,888              |
| Miscellaneous                         |                      |                      |                                    |                                  | 154,388   | 22,847                   | 177,235              |
| Transfers                             |                      |                      |                                    |                                  | 3,263,155   | (3,263,155)              | -                    |
| Total general revenues and transfers  |                      |                      |                                    |                                  | 8,132,911   | (3,195,125)              | 4,937,786            |
| <b>CHANGE IN NET POSITION</b>         |                      |                      |                                    |                                  | 1,382,335   | 1,159,341                | 2,541,676            |
| <b>NET POSITION, BEGINNING</b>        |                      |                      |                                    |                                  | 10,023,367  | 28,205,704               | 38,229,071           |
| <b>NET POSITION, ENDING</b>           |                      |                      |                                    |                                  | <b>\$ 11,405,702</b>                              | <b>\$ 29,365,045</b>     | <b>\$ 40,770,747</b> |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2020**

|  | <u>Major Funds</u>      |   |                             | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|---|-----------------------------|---|---|
|  | <u>General<br/>Fund</u> | <u>Community<br/>Redevelopment<br/>Agency</u> | <u>Capital<br/>Projects</u> |   |   |
| <b>ASSETS</b>  |                         |   |                             |   |   |
| Cash and cash equivalents  | \$ 4,657,867            | \$ -  | \$ -                        | \$ 246,654                                  | \$ 4,904,521                            |
| Receivables  | 249,805                 | -   | -                           | 7,478                                       | 257,283                                 |
| Due from other governments   | 515,686                 | -   | 327,005                     | -   | 842,691                                 |
| Inventory  | 258,602                 | -   | -                           | -   | 258,602                                 |
| Restricted assets  |                         |   |                             |   |   |
| Cash and cash equivalents  | 134,811                 | 50,898  | 899,400                     | 166,850                                     | 1,251,959                               |
| <b>TOTAL ASSETS</b>  | <u>\$ 5,816,771</u>     | <u>\$ 50,898</u>                              | <u>\$ 1,226,405</u>         | <u>\$ 420,982</u>                           | <u>\$ 7,515,056</u>                     |
| <b>LIABILITIES</b>   |                         |   |                             |   |   |
| Accounts payable   | \$ 106,079              | \$ 850  | \$ 80,625                   | \$ 21,393                                   | \$ 208,947                              |
| Accrued liabilities  | 164,943                 | -   | -                           | -   | 164,943                                 |
| Unearned revenue   | 148,679                 | -   | -                           | -   | 148,679                                 |
| Total liabilities  | 419,701                 | 850   | 80,625                      | 21,393                                      | 522,569                                 |
| <b>FUND BALANCE</b>  |                         |   |                             |   |   |
| Nonspendable   |                         |   |                             |   |   |
| Inventory  | 258,602                 | -   | -                           | -   | 258,602                                 |
| Restricted   |                         |   |                             |   |   |
| Capital projects   | 134,811                 | -   | 1,145,780                   | -   | 1,280,591                               |
| Public safety  | -                       | -   | -                           | 174,328                                     | 174,328                                 |
| Community redevelopment  | -                       | 50,048  | -                           | -   | 50,048                                  |
| Assigned   | -                       | -   | -                           | 225,261                                     | 225,261                                 |
| Unassigned   | 5,003,657               | -   | -                           | -   | 5,003,657                               |
| Total fund balances  | 5,397,070               | 50,048  | 1,145,780                   | 399,589                                     | 6,992,487                               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCE</b> | <u>\$ 5,816,771</u>     | <u>\$ 50,898</u>                              | <u>\$ 1,226,405</u>         | <u>\$ 420,982</u>                           | <u>\$ 7,515,056</u>                     |

See notes to the financial statements.



**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

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|  |  |              |
|--|--|--------------|
| Fund balance, total governmental funds |  | \$ 6,992,487 |
|--|--|--------------|

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.

|                                     |                     |            |
|-------------------------------------|---------------------|------------|
| Governmental non-depreciable assets | 4,778,605           |            |
| Governmental depreciable assets     | 26,304,408          |            |
| Less accumulated depreciation       | <u>(20,709,345)</u> |            |
|                                     |                     | 10,373,668 |

Deferred inflows of resources and deferred outflows of resources related to pensions and OPEB are not available/receivable or due/payable, respectively, in the current period and therefore, are not reported in the governmental funds.

|  |                  |         |
|--|------------------|---------|
| Deferred outflows of resources – OPEB related    | 256,357          |         |
| Deferred inflows of resources – OPEB related     | (547,849)        |         |
| Deferred outflows of resources – pension related | 2,069,974        |         |
| Deferred inflows of resources – pension related  | <u>(869,979)</u> |         |
|  |                  | 908,503 |

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Capital leases        | (97,863)           |                    |
| Compensated absences  | (584,526)          |                    |
| OPEB liability        | (580,121)          |                    |
| Net pension liability | <u>(5,606,446)</u> |                    |
|                       |                    | <u>(6,868,956)</u> |

|   |  |                      |
|---|--|----------------------|
| Net position of governmental activities |  | <u>\$ 11,405,702</u> |
|---|--|----------------------|

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|  | <b>Major Funds</b>  |   |                             | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|---|-----------------------------|---|---|
|  | <b>General Fund</b> | <b>Community<br/>Redevelopment<br/>Agency</b> | <b>Capital<br/>Projects</b> |   |   |
| <b>REVENUES</b>  |                     |   |                             |   |   |
| Taxes  | \$ 2,791,416        | \$ -  | \$ 193,604                  | \$ -                                    | \$ 2,985,020                            |
| Licenses, fees, permits and assessments                              | 931,900             | -   | -                           | -                                       | 931,900                                 |
| Intergovernmental  | 1,439,409           | 74,975  | 966,759                     | -                                       | 2,481,143                               |
| Charges for services   | 1,436,842           | 14,250  | -                           | 366,480                                 | 1,817,572                               |
| Fines and forfeits   | 28,867              | -   | -                           | -                                       | 28,867                                  |
| Miscellaneous  | 426,326             | -   | -                           | 487                                     | 426,813                                 |
| <b>Total revenues</b>  | <b>7,054,760</b>    | <b>89,225</b>                                 | <b>1,160,363</b>            | <b>366,967</b>                          | <b>8,671,315</b>                        |
| <b>EXPENDITURES</b>  |                     |   |                             |   |   |
| Current  |                     |   |                             |   |   |
| General governmental   | 2,759,242           | -   | -                           | 68                                      | 2,759,310                               |
| Public safety  | 3,898,708           | -   | -                           | 233,919                                 | 4,132,627                               |
| Economic environment   | 196,845             | 59,665  | -                           | -                                       | 256,510                                 |
| Transportation   | 1,057,349           | -   | -                           | -                                       | 1,057,349                               |
| Culture and recreation   | 1,179,378           | -   | -                           | -                                       | 1,179,378                               |
| Capital outlay   | 362,508             | -   | 1,506,448                   | -                                       | 1,868,956                               |
| Debt Service   |                     |   |                             |   |   |
| Principal  | -                   | -   | -                           | 47,301                                  | 47,301                                  |
| Interest   | -                   | -   | -                           | 3,971                                   | 3,971                                   |
| <b>Total expenditures</b>  | <b>9,454,030</b>    | <b>59,665</b>                                 | <b>1,506,448</b>            | <b>285,259</b>                          | <b>11,305,402</b>                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(2,399,270)</b>  | <b>29,560</b>                                 | <b>(346,085)</b>            | <b>81,708</b>                           | <b>(2,634,087)</b>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |   |                             |   |   |
| Transfers in   | 3,317,122           | -   | 156,600                     | 51,272                                  | 3,524,994                               |
| Transfers out  | (207,872)           | -   | -                           | (53,967)                                | (261,839)                               |
| <b>Total other financing sources</b>                                 | <b>3,109,250</b>    | <b>-</b>                                      | <b>156,600</b>              | <b>(2,695)</b>                          | <b>3,263,155</b>                        |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <b>709,980</b>      | <b>29,560</b>                                 | <b>(189,485)</b>            | <b>79,013</b>                           | <b>629,068</b>                          |
| <b>FUND BALANCE, BEGINNING</b>                                       | <b>4,687,090</b>    | <b>20,488</b>                                 | <b>1,335,265</b>            | <b>320,576</b>                          | <b>6,363,419</b>                        |
| <b>FUND BALANCE, ENDING</b>  | <b>\$ 5,397,070</b> | <b>\$ 50,048</b>                              | <b>\$ 1,145,780</b>         | <b>\$ 399,589</b>                       | <b>\$ 6,992,487</b>                     |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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Net change in fund balance – governmental funds \$ 629,068

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

|                                 |                  |         |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | 1,868,956        |         |
| Less current year depreciation  | <u>(994,956)</u> |         |
|                                 |                  | 874,000 |

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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

|                    |  |        |
|--------------------|--|--------|
| Principal payments |  | 47,301 |
|--------------------|--|--------|

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:

|  |                 |                  |
|--|-----------------|------------------|
| Change in net pension liability and related deferred inflows and outflows of resources related to OPEB     | 106,114         |                  |
| Change in net pension liability and related deferred inflows and outflows of resources related to pensions | (198,602)       |                  |
| Change in long-term compensated absences   | <u>(75,546)</u> |                  |
|  |                 | <u>(168,034)</u> |

|   |  |                     |
|---|--|---------------------|
| Change in net position of governmental activities |  | <u>\$ 1,382,335</u> |
|---|--|---------------------|

See notes to the financial statements.

**CITY OF MILTON, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|                                       | Budgeted Amounts |              | Actual       | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|------------------|--------------|--------------|---|
|                                       | Original         | Final        |              |   |
| <b>REVENUES</b>                       |                  |              |              |   |
| Taxes                                 | \$ 2,710,768     | \$ 2,710,768 | \$ 2,791,416 | \$ 80,648   |
| Licenses, fees, permits & assessments | 934,528          | 934,528      | 931,900      | (2,628)   |
| Intergovernmental                     | 1,513,788        | 1,513,788    | 1,439,409    | (74,379)  |
| Charges for services                  | 1,089,050        | 1,093,065    | 1,436,842    | 343,777   |
| Fines and forfeits                    | 26,950           | 26,950       | 28,867       | 1,917   |
| Miscellaneous                         | 295,481          | 302,748      | 426,326      | 123,578   |
| Total revenues                        | 6,570,565        | 6,581,847    | 7,054,760    | 472,913   |
| <b>EXPENDITURES</b>                   |                  |              |              |   |
| Current                               |                  |              |              |   |
| General governmental                  | 2,930,325        | 2,951,095    | 2,759,242    | 191,853   |
| Public safety                         | 4,138,688        | 4,131,688    | 3,898,708    | 232,980   |
| Transportation                        | 1,130,760        | 1,138,027    | 1,057,349    | 80,678  |
| Economic environment                  | 159,809          | 184,339      | 196,845      | (12,506)  |
| Culture and recreation                | 1,378,825        | 1,381,140    | 1,179,378    | 201,762   |
| Capital outlay                        | 259,800          | 341,171      | 362,508      | (21,337)  |
| Debt service                          |                  |              |              |   |
| Other debt service                    | 6,240            | 6,240        | -            | 6,240   |
| Total expenditures                    | 10,004,447       | 10,133,700   | 9,454,030    | 679,670   |
| <b>DEFICIENCY OF REVENUES</b>         |                  |              |              |   |
| <b>UNDER EXPENDITURES</b>             | (3,433,882)      | (3,551,853)  | (2,399,270)  | 1,152,583   |
| <b>OTHER FINANCING SOURCES (USES)</b> |                  |              |              |   |
| Transfers in                          | 3,523,155        | 3,759,726    | 3,317,122    | (442,604)   |
| Transfers out                         | (89,273)         | (207,873)    | (207,872)    | 1   |
| Total other financing sources         | 3,433,882        | 3,551,853    | 3,109,250    | (442,603)   |
| <b>NET CHANGE IN FUND BALANCE</b>     | -                | -            | 709,980      | 709,980   |
| <b>FUND BALANCE, BEGINNING</b>        | 4,687,090        | 4,687,090    | 4,687,090    | -   |
| <b>FUND BALANCE, ENDING</b>           | \$ 4,687,090     | \$ 4,687,090 | \$ 5,397,070 | \$ 709,980  |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – COMMUNITY REDEVELOPMENT AGENCY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|  | <u>Budgeted Amounts</u> |              | <u>Actual</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|--------------|---------------|---|
|  | <u>Original</u>         | <u>Final</u> |               |   |
| <b>REVENUES</b>  |                         |              |               |   |
| Intergovernmental  | 74,980                  | 74,980       | 74,975        | (5)   |
| Charges for services   | 40,015                  | 40,015       | 14,250        | (25,765)  |
| Miscellaneous  | -                       | 15,415       | -             | (15,415)  |
| Total revenues   | 114,995                 | 130,410      | 89,225        | (41,185)  |
| <b>EXPENDITURES</b>  |                         |              |               |   |
| Current  |                         |              |               |   |
| Economic environment   | 156,995                 | 194,693      | 59,665        | 135,028   |
| Total expenditures   | 156,995                 | 194,693      | 59,665        | 135,028   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (42,000)                | (64,283)     | 29,560        | 93,843  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                         |              |               |   |
| Transfers in   | 42,000                  | 64,283       | -             | (64,283)  |
| Total other financing sources  | 42,000                  | 64,283       | -             | (64,283)  |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | -                       | -            | 29,560        | 29,560  |
| <b>FUND BALANCE, BEGINNING</b>                                       | 20,488                  | 20,488       | 20,488        | -   |
| <b>FUND BALANCE, ENDING</b>  | 20,488                  | 20,488       | 50,048        | 29,560  |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

|                                       | Major Funds         |                       |                    |                              | Non-Major<br>Enterprise<br>Funds | Total                |
|---------------------------------------|---------------------|-----------------------|--------------------|------------------------------|----------------------------------|----------------------|
|                                       | Natural Gas<br>Fund | Water & Sewer<br>Fund | Sanitation<br>Fund | Sundial<br>Utilities<br>Fund |                                  |                      |
| <b>ASSETS</b>                         |                     |                       |                    |                              |                                  |                      |
| Current assets                        |                     |                       |                    |                              |                                  |                      |
| Cash and cash equivalent              | \$ 1,771,233        | \$ 7,072,669          | \$ 9,371           | \$ 76,006                    | \$ 605,100                       | \$ 9,534,379         |
| Receivables, net                      | 269,185             | 938,472               | 115,025            | 59,216                       | 38,311                           | 1,420,209            |
| Due from other governments            | 9,909               | 4,862                 | 5,420              | -                            | -                                | 20,191               |
| Inventory                             | 107,423             | -                     | -                  | -                            | -                                | 107,423              |
| Internal balances                     | (90,000)            | 90,000                | (125,000)          | 125,000                      | -                                | -                    |
| Restricted cash                       | 218,331             | 6,209,883             | -                  | 1,313,635                    | -                                | 7,741,849            |
| <b>Total current assets</b>           | <b>2,286,081</b>    | <b>14,315,886</b>     | <b>4,816</b>       | <b>1,573,857</b>             | <b>643,411</b>                   | <b>18,824,051</b>    |
| Capital assets                        |                     |                       |                    |                              |                                  |                      |
| Non-depreciable                       | 163,149             | 2,360,304             | -                  | 450,000                      | 899,754                          | 3,873,207            |
| Depreciable, net                      | 988,822             | 13,320,518            | 514,718            | 693,430                      | 51,025                           | 15,568,513           |
| <b>Total capital assets</b>           | <b>1,151,971</b>    | <b>15,680,822</b>     | <b>514,718</b>     | <b>1,143,430</b>             | <b>950,779</b>                   | <b>19,441,720</b>    |
| <b>TOTAL ASSETS</b>                   | <b>3,438,052</b>    | <b>29,996,708</b>     | <b>519,534</b>     | <b>2,717,287</b>             | <b>1,594,190</b>                 | <b>38,265,771</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                     |                       |                    |                              |                                  |                      |
| OPEB related                          | 23,961              | 49,838                | 13,418             | -                            | -                                | 87,217               |
| Pension related                       | 77,914              | 233,862               | 38,896             | -                            | -                                | 350,672              |
| <b>TOTAL DEFERRED OUTFLOWS</b>        | <b>101,875</b>      | <b>283,700</b>        | <b>52,314</b>      | <b>-</b>                     | <b>-</b>                         | <b>437,889</b>       |
| <b>LIABILITIES</b>                    |                     |                       |                    |                              |                                  |                      |
| Current liabilities                   |                     |                       |                    |                              |                                  |                      |
| Accounts payable                      | 188,391             | 54,022                | 62,160             | 2,526                        | 419                              | 307,518              |
| Compensated absences                  | 52,252              | 59,756                | 31,261             | -                            | -                                | 143,269              |
| Accrued wages                         | 21,499              | 37,453                | 13,375             | -                            | -                                | 72,327               |
| Notes & loans payable                 | 68,495              | 385,929               | -                  | 143,476                      | -                                | 597,900              |
| Restricted: Customer deposits         | 218,331             | 524,139               | -                  | 50,822                       | -                                | 793,292              |
| <b>Total current liabilities</b>      | <b>548,968</b>      | <b>1,061,299</b>      | <b>106,796</b>     | <b>196,824</b>               | <b>419</b>                       | <b>1,914,306</b>     |
| Non-current liabilities               |                     |                       |                    |                              |                                  |                      |
| Compensated absences                  | 6,122               | 1,733                 | 2,076              | -                            | -                                | 9,931                |
| Notes & loans payable                 | 549,516             | 3,823,194             | -                  | 1,914,230                    | -                                | 6,286,940            |
| Net OPEB                              | 69,393              | 144,336               | 38,860             | -                            | -                                | 252,589              |
| Net pension liability                 | 128,620             | 386,058               | 64,210             | -                            | -                                | 578,888              |
| <b>Total non-current liabilities</b>  | <b>753,651</b>      | <b>4,355,321</b>      | <b>105,146</b>     | <b>1,914,230</b>             | <b>-</b>                         | <b>7,128,348</b>     |
| <b>TOTAL LIABILITIES</b>              | <b>1,302,619</b>    | <b>5,416,620</b>      | <b>211,942</b>     | <b>2,111,054</b>             | <b>419</b>                       | <b>9,042,654</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                       |                    |                              |                                  |                      |
| OPEB related                          | 58,828              | 122,362               | 32,944             | -                            | -                                | 214,134              |
| Pension related                       | 18,181              | 54,570                | 9,076              | -                            | -                                | 81,827               |
| <b>TOTAL DEFERRED INFLOWS</b>         | <b>77,009</b>       | <b>176,932</b>        | <b>42,020</b>      | <b>-</b>                     | <b>-</b>                         | <b>295,961</b>       |
| <b>NET POSITION</b>                   |                     |                       |                    |                              |                                  |                      |
| Net investment in capital assets      | 533,960             | 11,471,699            | 514,718            | (914,276)                    | 950,779                          | 12,556,880           |
| Restricted : Debt service             | -                   | -                     | -                  | 1,313,635                    | -                                | 1,313,635            |
| Restricted : Capital projects         | -                   | 6,209,883             | -                  | -                            | -                                | 6,209,883            |
| Unrestricted                          | 1,626,339           | 7,005,274             | (196,832)          | 206,874                      | 642,992                          | 9,284,647            |
| <b>TOTAL NET POSITION</b>             | <b>\$ 2,160,299</b> | <b>\$ 24,686,856</b>  | <b>\$ 317,886</b>  | <b>\$ 606,233</b>            | <b>\$ 1,593,771</b>              | <b>\$ 29,365,045</b> |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|  | Major Funds         |                         |                    |                              |                                  | Total         |
|--|---------------------|-------------------------|--------------------|------------------------------|----------------------------------|---------------|
|  | Natural Gas<br>Fund | Water and<br>Sewer Fund | Sanitation<br>Fund | Sundial<br>Utilities<br>Fund | Non-Major<br>Enterprise<br>Funds |               |
| <b>OPERATING REVENUES</b>  |                     |                         |                    |                              |                                  |               |
| Charges for services   | \$ 3,821,133        | \$ 7,811,486            | \$ 1,301,815       | \$ 625,369                   | \$ 269,239                       | \$ 13,829,042 |
| <b>OPERATING EXPENSES</b>  |                     |                         |                    |                              |                                  |               |
| Personal services  | 963,093             | 1,797,707               | 591,501            | 20,000                       | -                                | 3,372,301     |
| Operating  | 1,835,166           | 1,861,944               | 701,363            | 150,422                      | 147,025                          | 4,695,920     |
| Depreciation   | 159,666             | 1,801,724               | 114,690            | 257,668                      | 30,965                           | 2,364,713     |
| Total operating expenses   | 2,957,925           | 5,461,375               | 1,407,554          | 428,090                      | 177,990                          | 10,432,934    |
| <b>OPERATING INCOME</b>  | 863,208             | 2,350,111               | (105,739)          | 197,279                      | 91,249                           | 3,396,108     |
| <b>NON-OPERATING<br/>REVENUES (EXPENSES)</b>                               |                     |                         |                    |                              |                                  |               |
| Interest expense   | (22,831)            | (123,952)               | -                  | (72,702)                     | -                                | (219,485)     |
| Interest income  | 10,138              | 33,372                  | -                  | 14                           | 1,659                            | 45,183        |
| Grant income   | 9,909               | 4,862                   | 5,420              | -                            | -                                | 20,191        |
| Gain (loss) on disposal of asset   | -                   | (22,198)                | -                  | -                            | -                                | (22,198)      |
| Miscellaneous  | 10,569              | 24,613                  | 294                | 197                          | 9,372                            | 45,045        |
| Total non-operating<br>revenues (expenses)                                 | 7,785               | (83,303)                | 5,714              | (72,491)                     | 11,031                           | (131,264)     |
| <b>INCOME BEFORE OPERATING<br/>TRANSFERS AND CAPITAL<br/>CONTRIBUTIONS</b> | 870,993             | 2,266,808               | (100,025)          | 124,788                      | 102,280                          | 3,264,844     |
| Capital contributions  | -                   | 1,157,652               | -                  | -                            | -                                | 1,157,652     |
| Transfers in   | -                   | -                       | -                  | -                            | -                                | -             |
| Transfers out  | (927,707)           | (2,335,448)             | -                  | -                            | -                                | (3,263,155)   |
| Total transfers and<br>capital contributions                               | (927,707)           | (1,177,796)             | -                  | -                            | -                                | (2,105,503)   |
| <b>CHANGE IN NET POSITION</b>  | (56,714)            | 1,089,012               | (100,025)          | 124,788                      | 102,280                          | 1,159,341     |
| <b>NET POSITION AT BEGINNING<br/>OF YEAR</b>                               | 2,217,013           | 23,597,844              | 417,911            | 481,445                      | 1,491,491                        | 28,205,704    |
| <b>NET POSITION AT END<br/>OF YEAR</b>                                     | \$ 2,160,299        | \$ 24,686,856           | \$ 317,886         | \$ 606,233                   | \$ 1,593,771                     | \$ 29,365,045 |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|   | <u>Major Funds</u>          |                                 |                            |                                   | <u>Non-Major<br/>Enterprise<br/>Funds</u> | <u>Total</u>         |
|---|-----------------------------|---------------------------------|----------------------------|-----------------------------------|---|----------------------|
|   | <u>Natural Gas<br/>Fund</u> | <u>Water and<br/>Sewer Fund</u> | <u>Sanitation<br/>Fund</u> | <u>Sundial<br/>Utilities Fund</u> |   |                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                             |                                 |                            |                                   |   |                      |
| Receipts from customers/users   | \$ 3,770,027                | \$ 7,763,854                    | \$ 1,293,861               | \$ 614,136                        | \$ 266,771                                | \$ 13,708,649        |
| Payments to suppliers   | (1,794,122)                 | (1,865,518)                     | (674,340)                  | (151,047)                         | (184,166)                                 | (4,669,193)          |
| Payments to employees   | (957,965)                   | (1,840,736)                     | (582,213)                  | (20,000)                          | -   | (3,400,914)          |
| Miscellaneous income  | 10,569                      | 24,613                          | 294                        | 197                               | 9,372                                     | 45,045               |
| Net cash provided by operating activities                               | 1,028,509                   | 4,082,213                       | 37,602                     | 443,286                           | 91,977                                    | 5,683,587            |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                 |                             |                                 |                            |                                   |   |                      |
| Due to other funds  | 90,000                      | (90,000)                        | 125,000                    | (125,000)                         | -   | -                    |
| Transfers in  | -                           | -                               | -                          | -                                 | -   | -                    |
| Transfers out   | (927,707)                   | (2,335,448)                     | -                          | -                                 | -   | (3,263,155)          |
| Net cash provided by (used in) non-capital financing activities         | (837,707)                   | (2,425,448)                     | 125,000                    | (125,000)                         | -   | (3,263,155)          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>         |                             |                                 |                            |                                   |   |                      |
| Acquisitions of capital assets  | (92,483)                    | (280,607)                       | (266,352)                  | (37,997)                          | -   | (677,439)            |
| Capital contributions   | -                           | 1,157,652                       | -                          | -                                 | -   | 1,157,652            |
| Intergovernmental revenues  | 9,909                       | 4,862                           | 5,420                      | -                                 | -   | 20,191               |
| Principal paid on long-term debt  | (66,948)                    | (376,955)                       | -                          | (141,190)                         | -   | (585,093)            |
| Interest paid on long-term debt   | (22,831)                    | (123,952)                       | -                          | (72,702)                          | -   | (219,485)            |
| Net cash used in (provided by) capital and related financing activities | (172,353)                   | 381,000                         | (260,932)                  | (251,889)                         | -   | (304,174)            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                             |                                 |                            |                                   |   |                      |
| Interest income   | 10,136                      | 33,372                          | -                          | 14                                | 1,659                                     | 45,181               |
| <b>NET INCREASE</b>   | <b>28,585</b>               | <b>2,071,137</b>                | <b>(98,330)</b>            | <b>66,411</b>                     | <b>93,636</b>                             | <b>2,161,439</b>     |
| <b>CASH AND CASH EQUIVALENTS:</b>                                       |                             |                                 |                            |                                   |   |                      |
| <b>AT BEGINNING OF YEAR</b>   | <u>1,960,979</u>            | <u>11,211,415</u>               | <u>107,701</u>             | <u>1,323,230</u>                  | <u>511,464</u>                            | <u>15,114,789</u>    |
| <b>AT END OF YEAR</b>   | <u>\$ 1,989,564</u>         | <u>\$ 13,282,552</u>            | <u>\$ 9,371</u>            | <u>\$ 1,389,641</u>               | <u>\$ 605,100</u>                         | <u>\$ 17,276,228</u> |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:</b>             |                             |                                 |                            |                                   |   |                      |
| Current assets  | \$ 1,771,233                | \$ 7,072,669                    | \$ 9,371                   | \$ 76,006                         | \$ 605,100                                | \$ 9,534,379         |
| Restricted assets   | 218,331                     | 6,209,883                       | -                          | 1,313,635                         | -   | 7,741,849            |
| Total cash and cash equivalent  | <u>\$ 1,989,564</u>         | <u>\$ 13,282,552</u>            | <u>\$ 9,371</u>            | <u>\$ 1,389,641</u>               | <u>\$ 605,100</u>                         | <u>\$ 17,276,228</u> |

See notes to the financial statements.



**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS – CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|  | <u>Major Funds</u>          |                                 |                            |                                       |   | <u>Total</u>        |
|--|-----------------------------|---------------------------------|----------------------------|---------------------------------------|---|---------------------|
|  | <u>Natural Gas<br/>Fund</u> | <u>Water and<br/>Sewer Fund</u> | <u>Sanitation<br/>Fund</u> | <u>Sundial<br/>Utilities<br/>Fund</u> | <u>Non-Major<br/>Enterprise<br/>Funds</u> |                     |
| <b>RECONCILIATION OF OPERATING INCOME<br/>TO NET CASH PROVIDED BY OPERATING<br/>ACTIVITIES</b> |                             |                                 |                            |                                       |   |                     |
| Operating income   | \$ 863,208                  | \$ 2,350,111                    | \$ (105,739)               | \$ 197,279                            | \$ 91,249                                 | \$ 3,396,108        |
| Adjustments to reconcile<br>operating income to net cash<br>provided by operating activities:  |                             |                                 |                            |                                       |   |                     |
| Depreciation   | 159,666                     | 1,801,724                       | 114,690                    | 257,668                               | 30,965                                    | 2,364,713           |
| Miscellaneous revenue  | 10,569                      | 24,613                          | 294                        | 197                                   | 9,372                                     | 45,045              |
| Decrease (increase) in assets:   |                             |                                 |                            |                                       |   |                     |
| Accounts receivable  | (42,859)                    | (82,120)                        | (2,534)                    | (12,396)                              | (2,468)                                   | (142,377)           |
| Due from other governments   | (9,909)                     | (4,862)                         | (5,420)                    | -                                     | -   | (20,191)            |
| Inventory  | 36,788                      | -                               | -                          | -                                     | -   | 36,788              |
| Deferred outflows  | (12,632)                    | (36,267)                        | (10,488)                   | -                                     | -   | (59,387)            |
| Accounts payable   | 4,256                       | (3,574)                         | 27,023                     | (625)                                 | (37,141)                                  | (10,061)            |
| Compensated absences payable   | 12,687                      | (18,392)                        | 2,913                      | -                                     | -   | (2,792)             |
| Wages  | 7,946                       | 10,575                          | 3,864                      | -                                     | -   | 22,385              |
| Customer deposits  | 1,662                       | 39,350                          | -                          | 1,163                                 | -   | 42,175              |
| Unearned revenue   | -                           | -                               | -                          | -                                     | -   | -                   |
| Net pension liability  | 5,532                       | 14,130                          | (2,050)                    | -                                     | -   | 17,612              |
| Net OPEB liability   | 2,060                       | 4,284                           | 6,540                      | -                                     | -   | 12,884              |
| Deferred inflows   | (10,465)                    | (17,359)                        | 8,509                      | -                                     | -   | (19,315)            |
| Net cash provided by operating activities  | <u>\$ 1,028,509</u>         | <u>\$ 4,082,213</u>             | <u>\$ 37,602</u>           | <u>\$ 443,286</u>                     | <u>\$ 91,977</u>                          | <u>\$ 5,683,587</u> |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2020**

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|                                    | <b>Pension Trust<br/>Funds</b> | <b>Retired<br/>Employees'<br/>Insurance Trust<br/>Fund</b> |
|------------------------------------|--------------------------------|--|
| <b>ASSETS</b>                      |                                |  |
| Investments, at fair value         | \$ 29,646,243                  | \$ 3,122,635   |
| <b>LIABILITIES</b>                 |                                |  |
| Accounts payable                   | -                              | 46,879   |
| <b>NET POSITION</b>                |                                |  |
| Held in trust for pension and OPEB | \$ 29,646,243                  | \$ 3,075,756   |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|                                   | <b>Pension Trust<br/>Funds</b> | <b>Retired<br/>Employees'<br/>Insurance<br/>Trust Fund</b> |
|-----------------------------------|--------------------------------|--|
| <b>ADDITIONS</b>                  |                                |  |
| Contributions                     |                                |  |
| Employer                          | \$ 910,633                     | \$ 211,416   |
| Plan members                      | 388,070                        | -  |
| State of Florida                  | 168,659                        | -  |
| Total contributions               | 1,467,362                      | 211,416  |
| Investment income                 | 2,783,536                      | 50,277   |
| Less investment expense           | (341,510)                      | -  |
|                                   | <u>2,442,026</u>               | <u>50,277</u>  |
| <b>TOTAL ADDITIONS</b>            | 3,909,388                      | 261,693  |
| <b>DEDUCTIONS</b>                 |                                |  |
| Benefits and refunds paid         |                                |  |
| Retirement payments               | 2,247,959                      | 24,490   |
| Insurance premiums                | -                              | 2,245  |
| Total benefits and refunds paid   | 2,247,959                      | 26,735   |
| Administrative expenses – other   | 5,770                          | 36,596   |
| <b>TOTAL DEDUCTIONS</b>           | <u>2,253,729</u>               | <u>63,331</u>  |
| <b>NET CHANGE IN NET POSITION</b> | 1,655,659                      | 198,362  |
| <b>NET POSITION, BEGINNING</b>    | <u>27,990,584</u>              | <u>2,877,394</u>   |
| <b>NET POSITION, ENDING</b>       | <u>\$ 29,646,243</u>           | <u>\$ 3,075,756</u>  |

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of City**

The City of Milton, Florida (the City) was originally incorporated under the Territorial Acts of 1844. The present charter was enacted in 1927 as Chapter 13105, Laws of Florida. The City is the county seat of Santa Rosa County and operates with a city manager-council form of government. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Manager appointed by the Council. As authorized by its charter, the City provides the following services: public safety (police, fire and inspection), roads and streets, water and sewer, sanitation, natural gas, culture and recreation, public improvements, planning and zoning and general administrative services. In addition, the City maintains several trust funds in a fiduciary capacity. The City does not provide educational or library facilities, as those services are provided by the Santa Rosa County School Board and the West Florida Regional Library System, respectively.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes.

The following is a summary of the more significant accounting policies of the City:

**The Reporting Entity**

An eight-member City Council and a Mayor govern the City, each elected at-large for four-year terms. The Council has no powers other than those expressly vested in it by State Statute and the City Charter, and their governmental powers cannot be delegated. As required by GAAP, the City is presented as the primary government. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB guidance for determining financial accountability of potential component units in evaluating all potential component units. Accordingly, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Milton Community Redevelopment Agency (the Agency) was established by the City as a separate legal entity in accordance with Florida Statute 163, Section III. The Agency oversees the redevelopment of the downtown area. The Community Redevelopment Advisory Board is appointed by the City Council. The Mayor, City Manager, and one City Council member sit on the Advisory Board. In addition, City employees manage the Agency's operations. The Agency is reported in the financial statements of the City as a "blended component unit". Separate financial statements of the Agency are not prepared.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**The Reporting Entity – Continued**

The Milton Housing Authority (the Authority) is considered a related organization to the City rather than a component unit. The City Council appoints the board members of the Authority; however, the Authority's board operates independently of the City Council and does not create a financial burden or benefit to the City.

**Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) 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 and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants 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 fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due as there is a statutory requirement to make the contribution. Property taxes are recorded 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.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting – Continued**

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 six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. 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.

Franchise taxes and interest 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. Sales taxes, gasoline taxes and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Santa Rosa County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

|                 |            |
|-----------------|------------|
| Lien Date       | January 1  |
| Levy Date       | November 1 |
| Due Date        | November 1 |
| Delinquent Date | April 1    |

Discounts of 1% for each month taxes are paid prior to March are granted.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for ad-valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and therefore, are not recorded as a receivable on the balance sheet date.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from cooperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for utility services. The City also recognizes as operating revenues, the portion of tap fees intended to recover the cost of connecting customers to the system. Operating expenses for enterprise funds include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

The following three broad classifications are used to categorize the fund types used by the City:

***Governmental***

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income. The City has three major governmental funds.

*General Fund* – This is the City's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

*Community Redevelopment Agency Fund* – This fund is used to account for the revenues and expenditures of the redevelopment areas established within the City.

*Capital Projects Fund* – This fund is used the acquisition and/or construction of capital facilities, except for those accounted for in proprietary funds.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basis of Presentation – Continued***

***Proprietary***

Proprietary funds focus on the determination of net income, changes in net position, financial position and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City.

*Natural Gas Fund* – Used to account for the sale of natural gas to the City's residents.

*Water and Sewer Fund* – Used to account for the water and sewer operations of the City, which provides distribution of potable water, sales, service, sanitary wastewater collection, treatment and disposal.

*Sanitation Fund* – Accounts for the operation of the City that provides for solid waste collection, disposal and/or recycling.

*Sundial Utilities Fund* – Accounts for wastewater services provided to residents of certain subdivisions around the Bagdad, Florida area.

***Fiduciary***

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments or on behalf of other funds within the City. The City has the following fiduciary funds:

*Pension Trust Funds* – Used to report the resources that are required to be held in trust for the members and beneficiaries of the three defined benefit pension plans administered by the City: General Employees' Retirement Fund, Police Officers' Retirement Fund and Firefighters' Retirement Fund.

*Retired Employees' Insurance Trust Fund* – Used to report the resources that are required to be held in trust for post-employment healthcare benefits.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

**Cash and Cash Equivalents**

Each fund's cash on hand, demand deposits and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly-liquid investments (including restricted assets), with a maturity of three months or less when purchased, are considered to be cash equivalents.



**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity –  
Continued**

***Deposits and Investments***

Section 218.415, Florida Statutes, permits the investment of surplus public funds and prescribes the types of investments authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the U.S. Government or other obligations unconditionally guaranteed by the U.S. Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association and securities of other interest in certain investment companies or investment trusts, the portfolio of which is limited to U.S. Government obligations or repurchase agreements fully collateralized by such obligations. The City adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which requires the City to maintain deposits only with "Qualified Public Depositories." The City maintains cash, money market deposit accounts, and certificates of deposit in each of the City's individual funds, which are stated at fair value. In addition, the City's General and Enterprise Funds have equity in a pooled cash bank account.

In addition, restricted cash accounts, certificates of deposit and other investments are separately maintained in accordance with retirement fund plan documents and other contractual agreements. Investments are stated at fair value.

Each Board of Trustees of the various pension trust funds has developed an investment policy according to Chapter 112.661, Florida Statutes. These plans provide written investment policies which must be structured to maximize the plans' financial returns, including diversification of the plans' assets.

***Receivables and Payables***

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balance."

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

All enterprise fund receivables are shown net of an allowance for uncollectibles.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – Continued**

***Inventories***

Inventory held by the General Fund is valued at cost and offset by non-spendable fund balance in the fund financial statements to indicate that it is not available for appropriation.

Inventory recorded in the Natural Gas Fund consists of gas held by the City for resale. The inventory is stated at cost and priced using the approved purchased gas adjustment (PGA) rates.

***Restricted Assets***

Certain resources of the governmental activities are classified as restricted due to external restrictions imposed on the City. The restricted assets include monies in the Police Special Investigation Fund, restricted for public safety purposes; monies in the Community Redevelopment Agency Fund, restricted for future downtown redevelopment costs; monies restricted for upcoming capital projects and monies restricted for retirement funding.

Certain resources of the Natural Gas Fund, Water and Sewer Fund and the Sundial Utilities Fund are classified as restricted assets because their use is limited by applicable bond covenants or loan agreements.

Additionally, water and sewer, natural gas and Sundial utility deposits received from customers are classified as restricted assets. This money is restricted for use as payment of the final customer bill, refund to a good-standing customer or returned to the customer upon settlement of the final bill.

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial cost more than the following:

|                                    |           |
|------------------------------------|-----------|
| Land                               | All       |
| Buildings and improvements         | \$ 10,000 |
| Infrastructure                     | \$ 10,000 |
| Improvements – other               | \$ 10,000 |
| Equipment, vehicles, and computers | \$ 5,000  |

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend the life of the asset, are not capitalized.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – Continued**

***Capital Assets –Continued***

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

|                                 |             |
|---------------------------------|-------------|
| Water and sewer system          | 5-50 Years  |
| Natural gas distribution system | 20-50 Years |
| System infrastructure           | 20-40 Years |
| Buildings and improvements      | 5-20 Years  |
| Tools and equipment             | 3-20 Years  |
| Vehicles                        | 3-10 Years  |

***Compensated Absences***

Employees may accumulate earned but unused annual leave, sick pay and comp time. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave is accrued in the government-wide and proprietary fund financial statements based on a ratio of the sum of sick leave utilized over the last several years to the total balance of sick leave at the end of each fiscal year. A liability for the amounts of vacation and sick leave is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The policy for accruing such time is as follows:

Annual Leave

| <u>Years of Employment</u> | <u>Hours accrued per Month<br/>(Firefighters/All Others)</u> |
|----------------------------|--|
| 0-5 Years                  | 12 hours/8 hours   |
| 5-10 Years                 | 15 hours/10 hours  |
| 10-15 Years                | 18 hours/12 hours  |
| 15-20 Years                | 21 hours/14 hours  |
| 20+ Years                  | 24 hours/16 hours  |

Sick Leave

Firefighters accrue 15 hours per month of sick leave and all other employees accrue sick leave at the rate of ten hours per month.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

---

**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – Continued**

*Compensatory Time*

Compensatory time is accrued at time and a half for every hour worked in excess of 40 hours for the week. Employees may elect either to be paid these excess hours as overtime or to accrue them as comp time. In addition, on-call employees receive eight hours of compensatory time for every completed on-call period (one week). Employees must use on-call leave within the calendar year in which it is earned. A maximum of 40 hours of on-call time may be carried over to the next calendar year; however, the accumulated amounts may not be taken out as cash payments and are not paid if the employee is terminated.

*Termination Policy*

Upon termination of employment, an employee will be paid for accumulated annual leave up to 200 hours, 40% of sick leave hours in excess of 480 hours and comp time. However, firefighters may be paid for a maximum of 300 hours of annual leave and 40% of hours in excess of 720 hours of sick leave.

***Long-Term Obligations***

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or enterprise fund statement of net position. Debt premiums and discounts are amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premium or discount. Debt issuance costs are reported as expenses in the period incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether withheld from the actual debt proceeds received, are reported as expenditures.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. As of September 30, 2020, the City has deferred outflows of resources related to pensions and OPEB.

In addition to liabilities, the statement of financial position will report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. As of September 30, 2020, the City has deferred inflows of resources related to pensions and OPEB.

CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity –  
Continued**

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

***Net Other Postemployment Benefits (OPEB) Liability***

For the purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Health Care 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, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

***Governmental Fund Balances***

The City classifies fund balances in the governmental funds as follows:

*Nonspendable fund balances* – cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

*Restricted fund balances* – can only be used for specific purposes, which are externally imposed by creditors, grantors, contributors or laws or regulations or are imposed by law through constitutional provisions or enabling legislation.

*Committed fund balances* – can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (adoption of another ordinance) to remove or revise the limitation.

*Assigned fund balances* – can only be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. Fund balances may be assigned by the City Council, City Manager or City Clerk for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the City Council.

*Unassigned fund balances* – represent the residual positive fund balance within the General Fund, which has not been assigned to other funds and has not been restricted, committed, or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Governmental Fund Balances – Continued***

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use in the General Fund or any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed. The City does not have a formal minimum fund balance requirement.

**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 and 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.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by ordinance for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

Budgetary data reflected in the financial statements are established by the following procedures:

Prior to October 1 of each year, proposed budgets are received by the City Council from the City Manager. These proposed expenditures, along with all estimated receipts, taxes to be levied and balances expected to be brought forward, are considered by the City Council. The City Council requires such changes as deemed necessary, sets proposed mileages, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints and providing reasons and explanations for intended actions to all citizens participating.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED**

### **Budgets – Continued**

Prior to October 1, the budget for all governmental and proprietary funds of the City is legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during the fiscal year. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unassigned fund balance to the level required to accomplish current year objectives.

The City Charter states the level of budgetary control (that is, the level at which expenditures cannot legally exceed appropriations) has been established at the department level. Any revisions to the budget during each fiscal year must be approved by the City Council.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the City Council by revision of department totals. All amendments to originally adopted amounts were made in a legally permissible manner.

## **3. DEPOSITS AND INVESTMENTS**

### **Deposits**

The investment of surplus funds is governed by the provisions of Florida Statute 218.415 as to the type of investments that can be made. Deposits may be subject to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned.

The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public financial institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories. The City's deposits at September 30, 2020, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and therefore, have no custodial risk.

### **Investments – Fiduciary Funds**

As of September 30, 2020, the City's investments consist of those held in the fiduciary funds. The types of allowable investments are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in the following paragraphs.

Each pension plan and trust fund have a separate Board of Trustees that governs the investments. The Board recognizes that the general investment objective is to maximize return consistent with the risks incumbent with each investment. The Board achieves its fiduciary responsibility regarding the investment objectives by practicing the Prudent Investment Rule, understanding that section 112.661(4) of the Florida Statutes supersedes any conflicting provisions of law guiding the Plans' investments.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Fiduciary Funds – Continued**

A brief summary of the authorized investments include the following: cash instruments having a quality rating of Standard & Poor's A1, Moody's P1 or higher; obligations issued by the U.S. Government, or an agency or instrumentality of the U.S. Government, including mortgage-related securities; mortgage-related securities or asset-backed securities not issued by the U.S. Government or an agency or instrumentality thereof may also be purchased; bonds and other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the U.S.; stocks issued by a corporation organized under the laws of the U.S.; commingled stock and bond funds and mutual funds; international stocks; annuity and life insurance contracts of life insurance companies; bonds issued by the State of Israel; and investments in direct real estate investment partnerships.

In addition to authorizing investment instruments, the City's policies also identify various portfolio parameters addressing issuer diversification, term to maturity and liquidity.

Interest Rate Risk – The City's investment policy encourages matching investment maturities with known cash needs and anticipated cash flow requirements in order manage interest rate risk. The investment policies for the trust funds do not specifically address interest rate risk.

As of September 30, 2020, the City had the following investments and maturities:

|   | Fair Value    | INVESTMENT MATURITIES (YEARS) |              |              |              |
|---|---------------|-------------------------------|--------------|--------------|--------------|
|   |               | <1                            | 1-5          | 6-10         | >10          |
| Investments subject to interest rate risk     |               |                               |              |              |              |
| Corporate bonds                               | \$ 4,814,937  | \$ 331,601                    | \$ 2,694,628 | \$ 819,128   | \$ 969,580   |
| U.S. Government obligations                   | 205,474       | -                             | -            | 51,024       | 154,450      |
| Municipal obligations                         | 182,605       | -                             | 89,817       | -            | 92,788       |
| Mortgage backed securities                    | 2,894,302     | -                             | 417,686      | 893,237      | 1,583,379    |
|   | \$ 8,097,318  | \$ 331,601                    | \$ 3,202,131 | \$ 1,763,389 | \$ 2,800,197 |
| Investments not subject to interest-rate risk | 24,671,560    |                               |              |              |              |
| Total   | \$ 32,768,878 |                               |              |              |              |



**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Fiduciary Funds – Continued**

Credit Rate Risk – The structure of the pension portfolios is designed to minimize credit risk. The Plans limit investments in bonds to those for which the issuer has a Standard and Poor’s rating of AAA-BBB or Moody’s rating of Aaa-Baa. All pension funds were in compliance with the restrictive investment policies regarding credit rate risk as of September 30, 2020.

Concentration Credit Risk – To limit the City's risk against possible credit losses, the policies state that the exposure of the portfolio to any one corporate issuer, other than securities of the U.S. Government or Agencies, shall not exceed 10% of the market value of the total fixed income portfolio.

Fair Value of Investments

The City measures and records its investments using fair value measurements guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follow:

- Level 1 – Quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.
- Level 3 – Unobservable inputs for an asset.

|                               | <u>Fair Value</u>    | <u>Level 1</u>       | <u>Level 2</u>      | <u>Level 3</u> |
|-------------------------------|----------------------|----------------------|---------------------|----------------|
| Money market and mutual funds | \$ 4,222,726         | \$ 4,198,259         | \$ 24,467           | \$ -           |
| Corporate bonds               | 4,814,937            | -                    | 4,814,937           | -              |
| U.S. Government Obligations   | 205,474              | -                    | 205,474             | -              |
| Municipal obligations         | 182,605              | -                    | 182,605             | -              |
| Mortgage backed securities    | 2,894,041            | -                    | 2,894,041           | -              |
| Common stock                  | 20,449,095           | 20,449,095           | -                   | -              |
| Total investments             | <u>\$ 32,768,878</u> | <u>\$ 24,647,354</u> | <u>\$ 8,121,524</u> | <u>\$ -</u>    |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**4. RECEIVABLES**

Receivables at September 30, 2020, were as follows:

|  | Governmental Activities |                 | Business-Type Activities |                   |                   |                   |                  | Total               |
|--|-------------------------|-----------------|--------------------------|-------------------|-------------------|-------------------|------------------|---------------------|
|  | General                 | Non-Major       | Natural Gas              | Water and Sewer   | Sanitation        | Sundial Utilities | Non-Major        |                     |
| Utility taxes and franchise fees               | \$ 142,587              | \$ -            | \$ 2,206                 | \$ -              | \$ -              | \$ -              | \$ -             | \$ 144,793          |
| Accounts, less allowance for doubtful accounts | 107,218                 | -               | 266,979                  | 938,472           | 115,025           | 59,216            | 38,311           | 1,525,221           |
| Other  | -                       | 7,478           |                          |                   |                   | -                 | -                | 7,478               |
|  | <u>\$ 249,805</u>       | <u>\$ 7,478</u> | <u>\$ 269,185</u>        | <u>\$ 938,472</u> | <u>\$ 115,025</u> | <u>\$ 59,216</u>  | <u>\$ 38,311</u> | <u>\$ 1,677,492</u> |

As of September 30, 2020, the City has estimated \$66,000 as an allowance for uncollectible accounts related to business-type activities.

**Due from Other Governments**

The City's receivables from other governments for governmental activities as of September 30, 2020, are \$842,691. The receivables consist primarily of amounts due from the State of Florida relating to intergovernmental revenues and various government agencies for grant reimbursements.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Decreases/<br/>Transfers</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|-----------------------|---------------------------------|---------------------------|
| <b>Governmental activities</b>              |                              |                       |                                 |                           |
| Capital assets not being depreciated:       |                              |                       |                                 |                           |
| Land  | \$ 3,080,155                 | \$ 160,027            | \$ -                            | \$ 3,240,182              |
| Construction in progress                    | 530,989                      | 1,007,434             | -                               | 1,538,423                 |
| Total capital assets not being depreciated  | 3,611,144                    | 1,167,461             | -                               | 4,778,605                 |
| Capital assets being depreciated:           |                              |                       |                                 |                           |
| Buildings                                   | 9,611,671                    | -                     | -                               | 9,611,671                 |
| Improvements other than buildings           | 10,559,261                   | 524,806               | -                               | 11,084,067                |
| Machinery and equipment                     | 5,431,981                    | 176,689               | -                               | 5,608,670                 |
| Total capital assets being depreciated      | 25,602,913                   | 701,495               | -                               | 26,304,408                |
| Less accumulated depreciation:              |                              |                       |                                 |                           |
| Buildings                                   | (8,283,570)                  | (194,514)             | -                               | (8,478,084)               |
| Improvements other than buildings           | (6,930,134)                  | (500,522)             | -                               | (7,430,656)               |
| Machinery and equipment                     | (4,500,685)                  | (299,920)             | -                               | (4,800,605)               |
| Total accumulated depreciation              | (19,714,389)                 | (994,956)             | -                               | (20,709,345)              |
| Total capital assets being depreciated, net | 5,888,524                    | (293,461)             | -                               | 5,595,063                 |
| <b>Governmental activities, net</b>         | <u>\$ 9,499,668</u>          | <u>\$ 874,000</u>     | <u>\$ -</u>                     | <u>\$ 10,373,668</u>      |
| <b>Business-type activities</b>             |                              |                       |                                 |                           |
| Capital assets not being depreciated:       |                              |                       |                                 |                           |
| Land  | \$ 1,073,027                 | \$ -                  | \$ -                            | \$ 1,073,027              |
| Construction in progress                    | 2,501,005                    | 299,175               | -                               | 2,800,180                 |
| Total capital assets not being depreciated  | 3,574,032                    | 299,175               | -                               | 3,873,207                 |
| Capital assets being depreciated:           |                              |                       |                                 |                           |
| Buildings                                   | 86,000                       | -                     | -                               | 86,000                    |
| Improvements other than buildings           | 52,779,142                   | 24,850                | -                               | 52,803,992                |
| Machinery and equipment                     | 3,707,915                    | 353,416               | (35,996)                        | 4,025,335                 |
| Total capital assets being depreciated      | 56,573,057                   | 378,266               | (35,996)                        | 56,915,327                |
| Less accumulated depreciation:              |                              |                       |                                 |                           |
| Buildings                                   | (74,500)                     | (6,000)               | -                               | (80,500)                  |
| Improvements other than buildings           | (36,641,651)                 | (2,126,642)           | -                               | (38,768,293)              |
| Machinery and equipment                     | (2,279,748)                  | (232,072)             | 13,799                          | (2,498,021)               |
| Total accumulated depreciation              | (38,995,899)                 | (2,364,714)           | 13,799                          | (41,346,814)              |
| Total capital assets being depreciated, net | 17,577,158                   | (1,986,448)           | (22,197)                        | 15,568,513                |
| <b>Business-type activities, net</b>        | <u>\$ 21,151,190</u>         | <u>\$ (1,687,273)</u> | <u>\$ (22,197)</u>              | <u>\$ 19,441,720</u>      |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**5. CAPITAL ASSETS – CONTINUED**

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

|   |                     |
|---|---------------------|
| <b>Governmental activities</b>                        |                     |
| General government                                    | \$ 564,948          |
| Public safety   | 168,717             |
| Transportation  | 23,243              |
| Culture and recreation                                | <u>238,048</u>      |
| Total depreciation expense – governmental activities  | <u>\$ 994,956</u>   |
| <b>Business-type activities</b>                       |                     |
| Natural gas   | \$ 159,667          |
| Water and sewer                                       | 1,801,724           |
| Sanitation  | 114,690             |
| Sundial utilities                                     | 257,668             |
| Non-major   | <u>30,965</u>       |
| Total depreciation expense – business-type activities | <u>\$ 2,364,714</u> |

Construction Commitments

The City has ongoing projects related to the East Milton Wastewater Treatment plant and other projects with varying remaining commitments.

**6. DEFINED BENEFIT PENSION PLANS**

The City administers three single-employer defined benefit pension plans: the General Employees' Retirement Plan (GERP), Police Officers' Retirement Plan (PORP) and the Firefighters' Retirement Plan (FRP). These plans provide benefits for all qualifying employees of the City. The financial activity of each plan is reported as a Pension Trust Fund in the City's financial statements. Detailed information about each of the pension plan's fiduciary net position is available in a separately issued plan actuarial report. A separate audited financial report for each of the plans is not available. Each plan's assets may be used only for the payment of benefits to members of that plan. A summary of significant accounting policies of the Pension Trust Funds can be found at Note 1.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**General Employees' Retirement Plan (GERP)**

*Plan Description*

The General Employees' Retirement Plan (GERP) is administered by a Board of Trustees (General Board) comprised of: a) two legal residents appointed by the City Council and b) three members of the plan. All Members serve three-year terms. Full-time employees who are classified as fulltime General Employees of the City enter the Plan on January 1 or July 1 after six months of employment.

**Plan Membership as of October 1, 2018:**

|   |                   |
|---|-------------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 49                |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | 6                 |
| Active Plan Members   | <u>66</u>         |
| Total   | <u><u>121</u></u> |

*Benefits Provided*

The plan provides retirement, termination, disability and death benefits. A member may retire at age 55 with 10 years of credited service (early retirement) or at age 65 and 10 years of credited service or 25 years of credited service (normal retirement). Benefits become 100% vested upon completion of 10 years of credited service. Members will receive the vested portion of his or her accrued benefit payable at the otherwise normal retirement date or refund of member contributions. Non-vested terminated members receive a refund of member contributions. The plan provides a retirement benefit for normal retirement of 2.50% of average final compensation times credited service, with a maximum of 100% of average final compensation. Benefits for early retirement are accrued benefit, reduced actuarially to reflect early commencement of benefits. Varied benefits exist for disability and pre-retirement death.

The plan offers a Deferred Retirement Option Program whereby once normal retirements are met, an individual can participate for a period not to exceed 84 months. The DROP balance as of September 30, 2019 is \$734,148.

*Funding Policy and Contributions*

Both the City and the employees (at a rate of 10.0% of payroll) make contributions to the Plan. For the fiscal year, employees contributed \$253,167 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2020 was 17.9% of payroll.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**General Employees’ Retirement Plan (GERP) – Continued**

*Net Pension Liability of the Sponsor*

The City’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Net Pension Liability of the Sponsor – Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2018, updated to September 30, 2019 using the following actuarial assumptions applied to all measurement periods.

|                           |               |
|---------------------------|---------------|
| Inflation                 | 2.50%         |
| Salary Increases          | Service based |
| Discount Rate             | 7.50%         |
| Investment Rate of Return | 7.50%         |

Mortality rates were based on the tables below. The date of the most recent experience study for which significant assumptions are based upon is not available.

**Mortality Rate Healthy Lives:**

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

**Mortality Rate Disabled Lives:**

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**General Employees’ Retirement Plan (GERP) – 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 expenses 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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

| <b>Asset Class</b>       | <b>Target Allocation</b> | <b>Long Term Expected Real Rate of Return</b> |
|--------------------------|--------------------------|---|
| Cash or Cash Equivalents | 0.50%                    | 0.00%   |
| Domestic Fixed income    | 27.50%                   | 2.50%   |
| Domestic Equity          | 52.00%                   | 7.50%   |
| Real Estate              | 10.00%                   | 4.50%   |
| International Equity     | 10.00%                   | 8.50%   |
| Total                    | <u>100%</u>              |   |

*Net Pension Liability of the Sponsor – Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. 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 sponsor 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 periods of projected benefit payments to determine the total pension liability.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**General Employees' Retirement Plan (GERP) – Continued**

*Changes in Net Pension Liability*

|  | <b>Increase (Decrease)</b>         |  |  |
|--|------------------------------------|--|--|
|  | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability (Asset)</b> |
|  | <b>(a)</b>                         | <b>(b)</b>                             | <b>(a)-(b)</b>                           |
| Reporting Period Ending September 30, 2019                       | \$ 16,384,268                      | \$ 14,497,743                          | \$ 1,886,525                             |
| Changes:   |                                    |  |  |
| Service cost   | 333,095                            | -                                      | 333,095                                  |
| Interest   | 1,202,029                          | -                                      | 1,202,029                                |
| Change in assumptions  | -                                  | -                                      | -  |
| Differences between projected<br>and actual experience           | (191,391)                          | -                                      | (191,391)                                |
| Change in assumption   | -                                  | -                                      | -  |
| Contributions – employer   | -                                  | 598,201                                | (598,201)                                |
| Contributions – employee   | -                                  | 261,223                                | (261,223)                                |
| Net investment income  | -                                  | 449,252                                | (449,252)                                |
| Benefit payments, including<br>refunds of employee contributions | (1,380,625)                        | (1,380,625)                            | -  |
| Administrative expenses  | -                                  | (78,721)                               | 78,721                                   |
| Net changes  | <u>(36,892)</u>                    | <u>(150,670)</u>                       | <u>113,778</u>                           |
| Reporting Period Ending September 30,<br>2020                    | <u>\$ 16,347,376</u>               | <u>\$ 14,347,073</u>                   | <u>\$ 2,000,303</u>                      |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

|   | <b>Current Discount</b> |              |                    |
|---|-------------------------|--------------|--------------------|
|   | <b>1% Decrease</b>      | <b>Rate</b>  | <b>1% Increase</b> |
|   | <b>6.50%</b>            | <b>7.50%</b> | <b>8.50%</b>       |
| Sponsor's Net Pension Liability (Asset) | \$ 3,702,765            | \$ 2,000,303 | \$ 560,503         |



**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**General Employees’ Retirement Plan (GERP) – Continued**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2020, the City recognized pension expense of \$550,038. On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| City Contributions Subsequent to the Measurement Date                               | \$ 493,709                                    | \$ -   |
| Differences between Expected and Actual Experience                                  | -   | 281,294                                      |
| Changes in assumptions  | 393,408                                       | -  |
| Net difference between Projected and Actual Earnings<br>on Pension Plan investments | 323,150                                       | -  |
| <b>Total</b>  | <b>\$ 1,210,267</b>                           | <b>\$ 281,294</b>                            |

Deferred outflows of resources related to pensions of \$493,709, resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2021. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended</b>           |  |    |          |
|-----------------------------|--|----|----------|
| <b><u>September 30:</u></b> |  |    |          |
| 2021                        |  | \$ | 101,503  |
| 2022                        |  |    | 107,882  |
| 2023                        |  |    | 104,851  |
| 2024                        |  |    | 152,927  |
| 2025                        |  |    | (31,899) |
|                             |  | \$ | 435,264  |

**Police Officers’ Retirement Plan (PORP)**

*Plan Description*

The Police Officers’ Retirement Plan (PORP) is administered by a Board of Trustees (Police Board) comprised of: a) two City Council appointees and b) two members of the department elected by the membership and c) a fifth member elected by the other four and appointed by the City Council.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Police Officers’ Retirement Plan (PORP) – Continued**

*Plan Description – Continued*

**Plan Membership as of October 1, 2018:**

|   |    |
|---|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 15 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | 3  |
| Active Plan Members   | 14 |
| Total   | 32 |

*Benefits Provided*

The plan provides retirement, termination, disability and death benefits. A member may retire at age 50 with 10 years of credited service (early retirement), at age 55 with 10 years of credited service or the completion of 20 years of credited service, regardless of age (normal retirement). Benefits become 100% vested upon completion of six years of credited service. Members will receive the vested portion of his or her accrued benefit payable at the otherwise normal retirement date. The plan provides a retirement benefit for normal retirement of 3.1% of average final compensation times credited service for the first 15 years of credited service and 3.75% average final compensation times credited service for all years of service after 15 years. Normal retirees only receive a \$200 per month supplement from date of retirement to age 65. Benefits for early retirement are accrued benefit, reduced 3% for each year prior to normal retirement. Varied benefits exist for disability and pre-retirement death. The plan offers a Deferred Retirement Option Program whereby once normal retirements are met, an individual can participate for a period not to exceed 60 months. The DROP balance as of September 30, 2019 is \$337,478.

*Funding Policy and Contributions*

The City, the State of Florida, and employees (at 8.0% of payroll) make contributions to the Plan. For fiscal year 2020, employees contributed \$76,539 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 10.1% of total projected payroll. For fiscal year 2020, the State contributed \$97,973 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2020 was 12.8% of payroll.

*Net Pension Liability*

The City’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

*Net Pension Liability of the Sponsor – Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019, using the following actuarial assumptions applied to all measurement periods.

|                           |               |
|---------------------------|---------------|
| Inflation                 | 2.50%         |
| Salary Increases          | Service Based |
| Discount Rate             | 7.50%         |
| Investment Rate of Return | 7.50%         |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Police Officers’ Retirement Plan (PORP) – Continued**

*Net Pension Liability of the Sponsor – Actuarial Assumptions – Continued*

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The other significant assumptions are based upon the most recent actuarial experience study dated November 23, 2015 for the period 2009-2015.

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 expenses 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, 2019 are summarized in the following table:

| <b>Asset Class</b>    | <b>Target Allocation</b> | <b>Long Term Expected Real Rate of Return</b> |
|-----------------------|--------------------------|---|
| Domestic Equity       | 50%                      | 7.50%   |
| International Equity  | 10%                      | 8.50%   |
| Domestic Fixed Income | 30%                      | 2.50%   |
| Real Estate           | 10%                      | 4.50%   |
| Total                 | <u>100%</u>              |   |

***Net Pension Liability of the Sponsor – Discount Rate:***

The discount rate used to measure the total pension liability was 7.5%. 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 sponsor 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 periods of projected benefit payments to determine the total pension liability.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

***Net Pension Liability of the Sponsor – Discount Rate – Continued:***

|   | <b>Increase (Decrease)</b>                 |  |  |
|---|--|--|--|
|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a)-(b)</b> |
| Reporting period ending<br>September 30, 2019         | \$ 8,510,727                               | \$ 8,263,454                                   | \$ 247,273   |
| Changes:  |  |  |  |
| Service cost  | 159,912                                    | -  | 159,912  |
| Interest  | 632,386                                    | -  | 632,386  |
| Difference between projected and<br>actual experience | (641,146)                                  | -  | (641,146)  |
| Changes of assumptions                                | -  | -  | -  |
| Contributions – employer                              | -  | 66,621   | (66,621)   |
| Contributions – state                                 | -  | 92,349   | (92,349)   |
| Contributions – employee                              | -  | 62,702   | (62,702)   |
| Net investment income                                 | -  | 245,295  | (245,295)  |
| Benefit payments, including                           |  |  |  |
| Refunds of employee contributions                     | (372,550)                                  | (372,550)                                      | -  |
| Administrative expenses                               | -  | (57,526)                                       | 57,526   |
| Net changes   | <u>(221,398)</u>                           | <u>36,891</u>                                  | <u>(258,289)</u>                                     |
| Reporting Period Ending<br>September 30, 2020         | <u>\$ 8,289,329</u>                        | <u>\$ 8,300,345</u>                            | <u>\$ (11,016)</u>                                   |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:*

|   | <b>1% Decrease</b> | <b>Current Discount</b>     | <b>1% Increase</b> |
|---|--------------------|-----------------------------|--------------------|
|   | <b>6.50%</b>       | <b>Rate</b><br><b>7.50%</b> | <b>8.50%</b>       |
| Sponsor's Net Pension Liability (Asset) | \$ 897,693         | \$ (11,016)                 | \$ (764,726)       |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

***Net Pension Liability of the Sponsor – Discount Rate – Continued:***

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2020, the City recognized pension expense of \$361,984. On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| City Contributions Subsequent to the Measurement Date                               | \$ 181,722                                    | \$ -   |
| Differences between Expected and Actual Experience                                  | -   | 537,349                                      |
| Net difference between Projected and Actual Earnings<br>on Pension Plan investments | 175,993                                       | -  |
| Changes of assumptions  | 163,213                                       | -  |
| Total   | \$ 520,928                                    | \$ 537,349                                   |

Deferred outflows of resources related to pensions of \$181,722 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2021. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

| <b><u>Year ended<br/>September 30:</u></b> |  |  |    |           |
|--|--|--|----|-----------|
| 2021                                       |  |  | \$ | (136,679) |
| 2022                                       |  |  |    | (193,396) |
| 2023                                       |  |  |    | 58,602    |
| 2024                                       |  |  |    | 73,330    |
|  |  |  | \$ | (198,143) |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fire Fighters’ Retirement Plan (FRP)**

*Plan Description*

The Fire Fighters’ Retirement Plan (FRP) is administered by a Board of Trustees (Fire Board) comprised of: a.) two legal residents appointed by the City Council, b.) two members of the Department elected by the membership and c.) a fifth member elected by the other four and appointed by City Council.

**Plan Membership as of October 1, 2018:**

|   |    |
|---|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 13 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | 1  |
| Active Plan Members   | 16 |
| Total   | 30 |

*Benefits Provided*

The plan provides retirement, disability and death benefits. A member may retire at age 50 with 10 years of credited service (early retirement) or at age 54 and 10 years of credited service or 25 years of credited service regardless of age (normal retirement). Benefits become 100% vested upon completion of 10 years of credit service. Members will receive the vested portion of his or her accrued benefit payable at the otherwise normal retirement date, or refund of member contributions. The plan provides a normal retirement benefit for normal retirement of 3.85% of average final compensation times credited service. In addition to the formula benefit, retirees receive \$165. Benefits for early retirement are accrued benefit, reduced by 3% per year for early commencement of benefits. Varied benefits exist for disability and pre-retirement death.

*Funding Policy and Contributions*

The City, the State of Florida, and employees (at 6.5% of payroll) make contributions to the Plan. For fiscal year 2020, employees contributed \$58,364 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 7.0% of total projected payroll. For fiscal year 2020, the State contributed \$70,686 to the Plan. The City is required to contribute at an actuarially determined rate; the contribution rate for 2020 was 44.4% of payroll.

*Net Pension Liability of the Sponsor – Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2018, updated to September 30, 2019, using the following actuarial assumptions applied to all measurement periods.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fire Fighters’ Retirement Plan (FRP) – Continued**

|                           |       |
|---------------------------|-------|
| Inflation                 | 2.50% |
| Salary increases          | 6.00% |
| Discount rate             | 7.75% |
| Investment rate of return | 7.75% |

*Mortality Rate Healthy Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. BY

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

*Mortality Rate Disabled Lives:*

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The other significant assumptions are based upon the most recent actuarial experience study dated August 26, 2016 for the period 2005-2015.

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 expenses 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, 2018, are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity      | 45%                      | 7.50%   |
| International Equity | 15%                      | 8.50%   |
| Domestic Bonds       | 40%                      | 2.50%   |
| Total                | <u>100%</u>              |   |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fire Fighters’ Retirement Plan (FRP) – Continued**

*Net Pension Liability of the Sponsor – Discount Rate*

The discount rate used to measure the total pension liability was 7.75 percent. 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 sponsor 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 periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

|   | <b>Increase (Decrease)</b>                 |  |  |
|---|--|--|--|
|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a)-(b)</b> |
| Reporting Period Ending September 30,<br>2019       | \$ 9,076,244                               | \$ 5,036,869                                   | \$ 4,039,375   |
| Changes:  |  |  |  |
| Service cost  | 158,852                                    | -  | 158,852  |
| Interest  | 699,358                                    | -  | 699,358  |
| Difference between projected and<br>actual earnings | 118,836                                    | -  | -  |
| Change of benefit terms                             | (461)                                      | -  | (461)  |
| Contributions – employer                            | -  | 415,047  | (415,047)  |
| Contributions – state                               | -  | 71,083   | (71,083)   |
| Contributions – employee                            | -  | 61,550   | (61,550)   |
| Net investment income                               | -  | 301,313  | (301,313)  |
| Benefit payments, including                         |  |  |  |
| Refunds of employee contributions                   | (420,388)                                  | (420,388)                                      | -  |
| Administrative expenses                             | -  | (29,080)                                       | 29,080   |
| Net changes   | <u>556,197</u>                             | <u>399,525</u>                                 | <u>156,672</u>                                       |
| Reporting Period Ending<br>September 30, 2020       | <u>\$ 9,632,441</u>                        | <u>\$ 5,436,394</u>                            | <u>\$ 4,196,047</u>                                  |



**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fire Fighters’ Retirement Plan (FRP) – Continued**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

|   | <u>1% Decrease<br/>6.75%</u> | <u>Current Discount<br/>Rate<br/>7.75%</u> | <u>1% Increase<br/>8.75%</u> |
|---|------------------------------|--|------------------------------|
| Sponsor's Net Pension Liability (Asset) | \$ 5,386,003                 | \$ 4,196,047                               | \$ 3,206,435                 |

*Pension Plan Fiduciary Net Position*

Detailed information about the pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report of the Plan is not available.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2020, the City recognized pension expense of \$580,773. On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| City Contributions Subsequent to the Measurement Date                               | \$ 496,246                                    | \$ -   |
| Changes of assumptions  | -   | -  |
| Net difference between Projected and Actual Earnings<br>on Pension Plan investments | -   | 131,711                                      |
| Differences between Expected and Actual Experience                                  | 191,752                                       | -  |
| Total   | <u>\$ 687,998</u>                             | <u>\$ 131,711</u>                            |

Deferred outflows of resources related to pensions of \$496,246 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2020.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fire Fighters' Retirement Plan (FRP) – Continued**

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

| <b>Year ended</b>           |    |               |
|-----------------------------|----|---------------|
| <b><u>September 30:</u></b> |    |               |
| 2021                        | \$ | 25,510        |
| 2022                        |    | (2,676)       |
| 2023                        |    | 18,637        |
| 2024                        |    | 18,570        |
|                             |    | <u>18,570</u> |
|                             | \$ | <u>60,041</u> |

**Combined Plan Reporting**

Below is a combined summary of the deferred inflows, outflows and changes in net pension liability:

|                                    | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------|---|--|
| General Employees' Retirement Plan | \$ 1,210,267                                  | \$ 281,294                                   |
| Police Officers' Retirement Plan   | 520,928                                       | 537,349                                      |
| Fire Fighters' Retirement Plan     | 687,998                                       | 131,711                                      |
| Total                              | <u>\$ 2,419,193</u>                           | <u>\$ 950,354</u>                            |

|                                    | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a)-(b)</b> |
|------------------------------------|--|--|--|
| General Employees' Retirement Plan | \$ 16,347,376                              | \$ 14,347,073                                  | \$ 2,000,303   |
| Police Officers' Retirement Plan   | 8,289,329                                  | 8,300,345                                      | (11,016)   |
| Fire Fighters' Retirement Plan     | 9,632,441                                  | 5,436,394                                      | 4,196,047  |
| Balances at September 30, 2020     | <u>\$ 34,269,146</u>                       | <u>\$ 28,083,812</u>                           | <u>\$ 6,185,334</u>                                  |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Fund Financial Statements**

The following are the financial statements for the individual pension trust funds (GERP, PORP, FRP) for the year ended September 30, 2020.

**COMBINING STATEMENT OF PLAN NET POSITION**

|  | <u>Employee Retirement Funds</u>                      |   |  | <b>Total<br/>Employee<br/>Retirement<br/>Plans</b> |
|--|---|---|--|--|
|  | <b>General<br/>Employees'<br/>Retirement<br/>Plan</b> | <b>Police<br/>Officers'<br/>Retirement<br/>Plan</b> | <b>Firefighters'<br/>Retirement<br/>Plan</b> |  |
| <b>ASSETS</b>                            |   |   |  |  |
| Investments, at fair value               | \$ 14,747,997   | \$ 8,961,085  | \$ 5,937,161                                 | \$ 29,646,243                                      |
| <b>TOTAL ASSETS</b>                      | <u>\$ 14,747,997</u>                                  | <u>\$ 8,961,085</u>                                 | <u>\$ 5,937,161</u>                          | <u>\$ 29,646,243</u>                               |
| <b>FIDUCIARY NET POSITION</b>            | <u>\$ 14,747,997</u>                                  | <u>\$ 8,961,085</u>                                 | <u>\$ 5,937,161</u>                          | <u>\$ 29,646,243</u>                               |
| <b>ADDITIONS</b>                         |   |   |  |  |
| Contributions                            |   |   |  |  |
| Employer                                 | \$ 458,266  | \$ 62,194   | \$ 390,173                                   | \$ 910,633   |
| Plan members                             | 253,167   | 76,539  | 58,364                                       | 388,070  |
| State of Florida                         | -   | 97,973  | 70,686                                       | 168,659  |
| Total contributions                      | 711,433   | 236,706   | 519,223                                      | 1,467,362  |
| Investment income                        | 1,364,040   | 881,613   | 537,883                                      | 2,783,536  |
| Less investment expense                  | (150,960)   | (110,098)   | (80,452)                                     | (341,510)  |
| Net investment income                    | 1,213,080   | 771,515   | 457,431                                      | 2,442,026  |
| <b>TOTAL ADDITIONS</b>                   | <u>1,924,513</u>                                      | <u>1,008,221</u>                                    | <u>976,654</u>                               | <u>3,909,388</u>                                   |
| <b>DEDUCTIONS</b>                        |   |   |  |  |
| Benefits paid and administrative costs   | 1,459,963   | 349,294   | 444,472                                      | 2,253,729  |
| <b>NET CHANGE</b>                        | 464,550   | 658,927   | 532,182                                      | 1,655,659  |
| <b>FIDUCIARY NET POSITION, BEGINNING</b> | <u>14,283,447</u>                                     | <u>8,302,158</u>                                    | <u>5,404,979</u>                             | <u>27,990,584</u>                                  |
| <b>FIDUCIARY NET POSITION, ENDING</b>    | <u>\$ 14,747,997</u>                                  | <u>\$ 8,961,085</u>                                 | <u>\$ 5,937,161</u>                          | <u>\$ 29,646,243</u>                               |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**7. DEFERRED COMPENSATION PLAN**

The City offers employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salary, before federal income taxes, to a retirement account. The assets are held in trust for the employee's benefit. Individually, the Plan participants select and make changes in funding options made available by the independent plan administrator. Since Plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses. The City's fiduciary responsibility is to administer the Plan properly, and to assure the investment alternatives made available are reasonable.

The assets and liabilities of the Plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the Plan.

Assets of the Plan have a fair value of \$951,430 September 30, 2020. Contributions and distributions made during the fiscal year ended September 30, 2020, were \$124,080 and \$29,941, respectively. The Plan had net earnings of \$10,460.

**8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance through commercial carriers and coverage through Preferred Governmental Insurance Trust, which includes workers' compensation, comprehensive general liability, and automobile physical damage.

The remaining insurance coverage, which includes but is not limited to property, flood, inland marine, boiler and machinery and fiduciary, is purchased from various commercial carriers. The City maintains minimal deductibles for insurance policies purchased through these carriers.

There has been no significant reduction in insurance coverage from prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**9. LONG-TERM DEBT**

**Changes in Long-Term Debt Liabilities**

The following is a summary of changes in long-term debt liabilities of the City:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental activities</b>                                       |                              |                   |                     |                           |                                |
| Capital leases   | \$ 145,164                   | \$ -              | \$ (47,301)         | \$ 97,863                 | \$ 48,590                      |
| Compensated absences   | 508,980                      | 223,615           | (148,069)           | 584,526                   | 500,574                        |
| <b>Total governmental activities</b>                                 | <u>\$ 654,144</u>            | <u>\$ 223,615</u> | <u>\$ (195,370)</u> | <u>\$ 682,389</u>         | <u>\$ 549,164</u>              |
| <b>Business-type activities</b>                                      |                              |                   |                     |                           |                                |
| <u>Natural gas</u>   |                              |                   |                     |                           |                                |
| Note payable   | \$ 684,959                   | \$ -              | \$ (66,959)         | \$ 618,000                | \$ 68,495                      |
| <u>Water and Sewer</u>   |                              |                   |                     |                           |                                |
| Note payable   | 1,217,705                    | -                 | \$ (119,020)        | 1,098,685                 | 122,005                        |
| State revolving loans payable  | 3,368,373                    | -                 | (257,935)           | 3,110,438                 | 263,924                        |
| <u>Sundial</u>   |                              |                   |                     |                           |                                |
| Revenue note payable   | 2,198,896                    | -                 | (141,190)           | 2,057,706                 | 143,476                        |
| <u>Accumulated, vested annual compensation for Proprietary Funds</u> |                              |                   |                     |                           |                                |
| Compensated absences   | 155,992                      | 107,684           | (110,476)           | 153,200                   | 143,269                        |
| <b>Total business-type activities</b>                                | <u>\$ 7,625,925</u>          | <u>\$ 107,684</u> | <u>\$ (695,580)</u> | <u>\$ 7,038,029</u>       | <u>\$ 741,169</u>              |

**Description of Long-Term Debt Outstanding**

All long-term debt is considered direct borrowings. All of the City's debt terms include provisions that in the event of default, which is defined as the City not paying according to terms of the agreements, then the entire amount of loan can be made current, debt payment schedule accelerated, and/or the interest rate will be increased.

**Governmental Activities**

Capital lease payable - Lease/purchase agreement bearing interest of 2.69% per annum. Principal and interest payments of \$51,272 will be made on an annual basis until November 14, 2021. The lease is collateralized by a fire truck.

**Natural Gas Fund**

Note payable - Note payable to finance the purchase and installation of advanced meter infrastructure radio read equipment. The loan bears interest of 3.41% per annum. Principal and interest payments of \$92,509 will be made on an annual basis until September 26, 2028. The note is secured by equipment.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**9. LONG-TERM DEBT - CONTINUED**

**Description of Long-Term Debt Outstanding – Continued**

**Water and Sewer Fund**

Note payable - Note payable to finance the purchase and installation of advanced meter infrastructure radio read equipment. The loan bears interest of 3.41% per annum. Principal and interest payments of \$164,560 will be made on an annual basis until September 26, 2028. The note is secured by equipment.

State revolving loans payable

State of Florida Department of Environmental Protection State Revolving Loan Fund for the purpose of improvements to the City's wastewater collection and treatment facilities; interest at 2.46%; semi-annual payments, including capitalized interest of \$77,931 through March 15, 2027. Amount outstanding includes capitalized interest of \$293,803. The note is secured by system revenues of the water and sewer fund.

State of Florida Department of Environmental Protection State Revolving Loan Fund for the purpose of improvements to the City's wastewater collection and treatment facilities; interest at 2.58%; semi-annual payments of \$47,412, including capitalized interest, began January 15, 2015, maturing March 15, 2035. Amount outstanding includes capitalized interest of \$109,651. The note is secured by system revenues of the water and sewer fund.

State of Florida Department of Environmental Protection State Revolving Loan Fund for the purpose of improvements to the City's wastewater collection and treatment facilities; interest at 2.09%, semi-annual payments of 42,968, including capitalized interest, began March 15, 2015, maturing September 15, 2034. Amount outstanding includes capitalized interest of \$18,350. The note is secured by system revenues of the water and sewer fund.

**Sundial Fund**

Note payable - Revenue note payable incurred for the acquisition of Sundial Utilities, Inc. (utility system) in the Sundial Utilities Fund, bearing interest at 3.25%. Annual principal and interest payments of \$176,800 began June 15, 2014, and will be paid until maturity on June 15, 2033. The note is secured by revenues generated from the acquired utility system.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**9. LONG-TERM DEBT – CONTINUED**

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2020, are as follows:

**Governmental Activities**

| <b>Year Ending<br/>September 30</b> | <b>Capital Lease</b> |                 |
|-------------------------------------|----------------------|-----------------|
|                                     | <b>Principal</b>     | <b>Interest</b> |
| 2021                                | \$ 48,590            | \$ 2,683        |
| 2022                                | 49,273               | 1,359           |
| Total                               | <u>\$ 97,863</u>     | <u>\$ 4,042</u> |

**Business-Type Activities**

| <b>Year Ending<br/>September 30</b> | <b>State Revolving Loans</b> |                   | <b>Revenue Notes Payable</b> |                   |
|-------------------------------------|------------------------------|-------------------|------------------------------|-------------------|
|                                     | <b>Principal</b>             | <b>Interest</b>   | <b>Principal</b>             | <b>Interest</b>   |
| 2021                                | \$ 263,924                   | \$ 72,462         | \$ 143,476                   | \$ 67,804         |
| 2022                                | 270,537                      | 66,085            | 145,801                      | 63,077            |
| 2023                                | 277,068                      | 59,554            | 148,163                      | 58,272            |
| 2024                                | 283,758                      | 52,865            | 150,563                      | 53,536            |
| 2025                                | 283,758                      | 52,865            | 150,563                      | 53,536            |
| 2026-2030                           | 995,734                      | 141,860           | 803,002                      | 164,957           |
| 2031-2035                           | 735,422                      | 41,882            | 516,138                      | 34,067            |
| Total                               | <u>\$ 3,110,201</u>          | <u>\$ 487,573</u> | <u>\$ 2,057,706</u>          | <u>\$ 495,249</u> |

**Business-Type Activities**

| <b>Year Ending<br/>September 30</b> | <b>Note payable</b> |                   |
|-------------------------------------|---------------------|-------------------|
|                                     | <b>Principal</b>    | <b>Interest</b>   |
| 2021                                | \$ 190,500          | \$ 58,094         |
| 2022                                | 197,079             | 51,649            |
| 2023                                | 203,742             | 44,986            |
| 2024                                | 210,630             | 38,097            |
| 2025                                | 210,630             | 38,097            |
| 2026-2030                           | 704,104             | 47,751            |
| Total                               | <u>\$ 1,716,685</u> | <u>\$ 278,674</u> |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. CAPITAL CONTRIBUTIONS**

For the year ended September 30, 2020, the Water and Sewer Fund had \$1,157,652 of capital contributions related to impact fees.

**11. INTERFUND BALANCES**

The composition of interfund balances as of September 30, 2020, is as follows:

| <b>Transfers Out</b>   | <b>Governmental Activities</b> |                         |                  | <b>Total</b>        |
|------------------------|--------------------------------|-------------------------|------------------|---------------------|
|                        | <b>General</b>                 | <b>Capital Projects</b> | <b>Non-Major</b> |                     |
| General                | \$ -                           | \$ 156,600              | \$ 51,272        | \$ 207,872          |
| CRA                    | -                              | -                       | -                | -                   |
| Capital Projects       | -                              | -                       | -                | -                   |
| Non-Major Governmental | 53,967                         | -                       | -                | 53,967              |
| Natural Gas            | 927,707                        | -                       | -                | 927,707             |
| Water and Sewer        | 2,335,448                      | -                       | -                | 2,335,448           |
| <b>Total</b>           | <b>\$ 3,317,122</b>            | <b>\$ 156,600</b>       | <b>\$ 51,272</b> | <b>\$ 3,524,994</b> |

Transfers occurred during the year on a routine basis and were consistent with activities of the fund making the transfer.

**12. POST-EMPLOYEE HEALTHCARE BENEFITS**

**Plan Description**

The City provides limited healthcare benefits for retired municipal employees under the City of Milton Retired Employees Medical Insurance Fund Plan (Plan). The Plan is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical and life insurance coverage as a participant in the City's plan. City ordinance assigns the authority to establish and amend benefit provisions to the Plan. The Plan does not issue a stand-alone financial report.



**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**12. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED**

**Benefits Provided**

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City are eligible to receive postemployment health care benefits.

**Funding Policy**

The City of Milton contributes 100% of the active health premium for a certain group of retirees participating in the City's group insurance plan. For the other current retirees and all future retirees hired on or before November 8, 2011, the City provides a credit of \$1/month for every year of credited service toward the premium of the City's group insurance plan. Employees hired after November 8, 2011 are not eligible for this credit. Once retirees are Medicare eligible, the City converts the health insurance to a Medicare Supplement policy. Retirees may purchase spouse coverage through the City's group insurance plan at their own expense. In future years, contributions are assumed to increase at the same rate as premiums. Life Insurance in the amount of \$12,000 may be purchased by the retiree at the active premium rate. This amount decreases to \$7,000 at age 65 and \$6,800 at age 70. Effective for fiscal year 2017, the Council voted to separate the life insurance policy from the active employees and retired employees such that retirees would be charged a higher premium than active employees.

**Plan Membership as of October 1, 2018:**

|   |     |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 40  |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits    | -   |
| Active Plan Members   | 130 |
| Total   | 170 |

**Investments**

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2020:

| Asset Class          | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic equity      | 48.0%             | 7.5%                                   |
| International Equity | 9.0%              | 8.5%                                   |
| Domestic bonds       | 43.0%             | 2.5%                                   |
| Total                | 100%              |  |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**12. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED**

**Net OPEB Liability**

The measurement date for reporting is September 30, 2019. The City's Net OPEB Liability was measured as of September 30, 2019. The OPEB Liability used to calculate the Net OPEB Liability was determined as of that date using a roll-forward of the October 1, 2018 valuation results at a discount rate of 7.50%.

The components of the NET OPEB Liability of the City were as follows:

|   | <b>Increase (Decrease)</b>              |  |   |
|---|---|--|---|
|   | <b>Total OPEB<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net OPEB<br/>Liability (Asset)<br/>(a)-(b)</b> |
| Reporting Period Ending<br>September 30, 2019 | \$ 3,524,421                            | \$ 2,751,442                                   | \$ 772,979  |
| Changes:                                      |   |  |   |
| Service cost                                  | 172,157                                 | -  | 172,157   |
| Interest                                      | 265,202                                 | -  | 265,202   |
| Differences from Experience                   | (112,149)                               |  | (112,149)   |
| Changes of Assumptions                        | (40,938)                                |  | (40,938)  |
| Explicit contributions - employer             | -                                       | 95,570   | (95,570)  |
| Implicit contributions - employer             | -                                       | 80,494   | (80,494)  |
| Net investment income                         | -                                       | 83,728   | (83,728)  |
| Explicit benefit payments                     | (18,096)                                | (18,096)                                       | -   |
| Implicit benefit payments                     | (80,494)                                | (80,494)                                       | -   |
| Administrative expenses                       | -                                       | (35,250)                                       | 35,250  |
| Net changes                                   | <u>185,682</u>                          | <u>125,952</u>                                 | <u>59,730</u>                                     |
| Reporting Period Ending<br>September 30, 2020 | <u>\$ 3,710,103</u>                     | <u>\$ 2,877,394</u>                            | <u>\$ 832,709</u>                                 |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**12. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED**

**Actuarial Assumptions**

The OPEB Liability was determined by an actuarial valuation as of October 1, 2018, using the following actuarial assumptions:

|                             |            |
|-----------------------------|------------|
| Salary increases            | Varies     |
| Discount rate               | 7.50%      |
| Investment rate of return   | 7.50%      |
| Healthcare cost trend rates | 4.0%-8.00% |

*Mortality*

For Healthy Lives: For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

For Disabled Lives: For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

*Discount Rate*

The projection of cash flows used to determine the Discount Rate assumed that current City contributions will be made at the historical contribution rate, which fully funds the actuarial determined contribution. Based on this assumption, the OPEB Plan's Fiduciary Net Position was projected to provide all future benefit payments. Therefore, the single equivalent discount rate was set equal to the investment rate of return assumption, 7.50%.

|                    | <b>1% Decrease</b> | <b>Current Discount</b> | <b>1% Increase</b> |
|--------------------|--------------------|-------------------------|--------------------|
|                    | <b>6.50%</b>       | <b>Rate</b>             | <b>8.50%</b>       |
|                    | <b>6.50%</b>       | <b>7.50%</b>            | <b>8.50%</b>       |
| Net OPEB Liability | \$ 1,513,342       | \$ 832,709              | \$ 297,495         |

*Sensitivity of the Net OPEB Liability to changes in the Discount Rate*

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**12. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED**

*Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates*

The following presents the Net OPEB Liability of the City, as well as what the City's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

|                    | <b>Healthcare Cost Trend</b> |                    |                    |
|--------------------|------------------------------|--------------------|--------------------|
|                    | <b>1% Decrease</b>           | <b>Rate</b>        | <b>1% Increase</b> |
|                    | <b>3.00%-7.00%</b>           | <b>4.00%-8.00%</b> | <b>5.00%-9.00%</b> |
| Net OPEB Liability | \$ 259,377                   | \$ 832,709         | \$ 1,570,885       |

For the year ended September 30, 2020, the City will recognize OPEB Expense of \$122,539. On September 30, 2020, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| City Contributions Subsequent to the Measurement Date                               | \$ 287,526                           | \$ -                                |
| Changes of assumptions  | -                                    | 473,520                             |
| Net difference between Projected and Actual Earnings<br>on Pension Plan investments | 56,047                               | -                                   |
| Differences between Expected and Actual Experience                                  | -                                    | 288,463                             |
| <b>Total</b>  | <b>\$ 343,573</b>                    | <b>\$ 761,983</b>                   |

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

|                          |                     |
|--------------------------|---------------------|
| Year ended September 30: |                     |
| 2021                     | \$ (142,303)        |
| 2022                     | (142,304)           |
| 2023                     | (128,258)           |
| 2024                     | (123,180)           |
| 2025                     | (148,022)           |
| Thereafter               | (21,869)            |
|                          | <b>\$ (705,936)</b> |

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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**13. COMMITMENTS AND CONTINGENCIES**

**Grants**

The City participates in a number of federal and state assisted programs, such as the Disaster Funding Agreement, Disadvantaged Small Community Grants, Capitalization Grants for the State Revolving Fund and others. Amounts received or receivable from grantor agencies are subject to audit and adjustment by these grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Legal Issues**

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

**14. SUBSEQUENT EVENT**

Hurricane Sally made landfall across the Gulf Coast and Northwest Florida in September 2020. The City incurred approximately \$475 thousand in cleanup and recovery costs after year end through April 6, 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL EMPLOYEES' RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION  
LIABILITY AND RELATED RATIOS – UNAUDITED**

| Reporting Period ending<br>Measurement Date   | 9/30/20<br>9/30/19   | 9/30/19<br>9/30/18   | 9/30/18<br>9/30/17   | 9/30/17<br>9/30/16   | 9/30/16<br>9/30/15   |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total Pension Liability</b>  |                      |                      |                      |                      |                      |
| Service cost  | \$ 333,095           | \$ 327,894           | \$ 313,360           | \$ 318,891           | \$ 300,174           |
| Interest  | 1,202,029            | 1,228,908            | 1,203,306            | 1,131,940            | 1,107,941            |
| Differences between experience  | (191,391)            | 2,178                | (198,798)            | (39,135)             | (64,838)             |
| Change in assumptions   | -                    | 368,084              | -                    | 444,060              | -                    |
| Benefit payments, including refunds<br>of employee contributions                      | (1,380,625)          | (1,152,516)          | (872,230)            | (1,044,056)          | (1,079,979)          |
| <b>Net change in total pension liability</b>  | (36,892)             | 774,548              | 445,638              | 811,700              | 263,298              |
| <b>Total pension liability – beginning</b>  | 16,384,268           | 15,609,720           | 15,164,082           | 14,352,382           | 14,089,084           |
| <b>Total pension liability – ending (a)</b>   | <u>\$ 16,347,376</u> | <u>\$ 16,384,268</u> | <u>\$ 15,609,720</u> | <u>\$ 15,164,082</u> | <u>\$ 14,352,382</u> |
| <b>Plan Fiduciary Net Position</b>  |                      |                      |                      |                      |                      |
| Contributions – employer  | \$ 598,201           | \$ 500,108           | \$ 410,250           | \$ 538,937           | \$ 463,611           |
| Contributions – member  | 261,223              | 227,322              | 212,565              | 229,488              | 211,695              |
| Net investment income   | 449,252              | 1,160,753            | 1,332,803            | 938,420              | 173,587              |
| Benefit payments, including refunds<br>of employee contributions                      | (1,380,625)          | (1,152,516)          | (872,230)            | (1,044,056)          | (1,079,979)          |
| Administrative expenses   | (78,721)             | (51,942)             | (51,168)             | (51,481)             | (33,907)             |
| <b>Net change in plan fiduciary net position</b>                                      | (150,670)            | 683,725              | 1,032,220            | 611,308              | (264,993)            |
| <b>Plan fiduciary net position – beginning</b>  | 14,497,743           | 13,814,018           | 12,781,798           | 12,170,490           | 12,435,483           |
| <b>Plan fiduciary net position – ending (b)</b>                                       | <u>\$ 14,347,073</u> | <u>\$ 14,497,743</u> | <u>\$ 13,814,018</u> | <u>\$ 12,781,798</u> | <u>\$ 12,170,490</u> |
| <b>Net pension liability – ending (a)-(b)</b>   | <u>\$ 2,000,303</u>  | <u>\$ 1,886,525</u>  | <u>\$ 1,795,702</u>  | <u>\$ 2,382,284</u>  | <u>\$ 2,181,892</u>  |
| <b>Plan fiduciary net position as a<br/>percentage of the total pension liability</b> | 87.76%               | 88.49%               | 88.50%               | 84.29%               | 84.80%               |
| <b>Covered payroll</b>  | \$ 2,612,232         | \$ 2,273,218         | \$ 2,125,652         | \$ 2,294,878         | \$ 2,534,951         |
| <b>Net pension liability as a percentage of<br/>covered payroll</b>                   | 76.57%               | 82.99%               | 84.48%               | 103.81%              | 86.07%               |

Notes to schedule:

This information is not available for previous years

The Covered Employee Payroll numbers shown are in compliance with GASB 82.

Changes in assumptions:

For measurement date 09/30/2018, the Board adopted the following assumption changes based on the results of our experience study dated August 23, 2018:

-The investment return assumption was reduced from 8.00% to 7.50% per year, net of investment related expenses.

-The salary increase assumption was changed from a flat 5.50% rate for all years of service to a table of rates by years of service.

For the reporting period 9/30/16, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System. The inflation assumption rate was lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
POLICE RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION  
LIABILITY AND RELATED RATIOS – UNAUDITED– CONTINUED**

| Reporting Period ending<br>Measurement Date   | 9/30/20<br>9/30/19  | 9/30/19<br>9/30/18  | 9/30/18<br>9/30/17  | 9/30/17<br>9/30/16  | 9/30/16<br>9/30/15  |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |                     |
| Service cost  | \$ 159,912          | \$ 179,528          | \$ 193,067          | \$ 179,035          | \$ 188,061          |
| Interest  | 632,386             | 628,999             | 581,666             | 527,269             | 516,585             |
| Differences between experience  | (641,146)           | (329,756)           | 197,192             | 75,137              | (185,417)           |
| Changes of assumptions <sup>^</sup>   | -                   | 489,638             | 265,465             | -                   | (44,471)            |
| Benefit payments, including refunds<br>of employee contributions                      | (372,550)           | (386,395)           | (347,056)           | (414,900)           | (249,463)           |
| <b>Net change in total pension liability</b>  | (221,398)           | 582,014             | 890,334             | 366,541             | 225,295             |
| <b>Total pension liability – beginning</b>  | 8,510,727           | 7,928,713           | 7,038,379           | 6,671,838           | 6,446,543           |
| <b>Total pension liability – ending (a)</b>   | <u>\$ 8,289,329</u> | <u>\$ 8,510,727</u> | <u>\$ 7,928,713</u> | <u>\$ 7,038,379</u> | <u>\$ 6,671,838</u> |
| <b>Plan Fiduciary Net Position</b>  |                     |                     |                     |                     |                     |
| Contributions – employer  | \$ 66,621           | \$ 64,599           | \$ 76,619           | \$ 82,582           | \$ 92,468           |
| Contributions – state   | 92,349              | 90,590              | 90,756              | 89,139              | 80,630              |
| Contributions – member  | 62,702              | 60,092              | 65,909              | 64,142              | 60,142              |
| Net investment income   | 245,295             | 688,375             | 760,325             | 525,026             | 82,306              |
| Benefit payments, including refunds<br>of employee contributions                      | (372,550)           | (386,395)           | (347,056)           | (414,900)           | (249,463)           |
| Administrative expenses   | (57,526)            | (47,116)            | (42,971)            | (45,128)            | (43,647)            |
| <b>Net change in plan fiduciary net position</b>                                      | 36,891              | 470,145             | 603,582             | 300,861             | 22,436              |
| <b>Plan fiduciary net position – beginning</b>  | 8,263,454           | 7,793,309           | 7,189,727           | 6,888,866           | 6,866,430           |
| <b>Plan fiduciary net position – ending (b)</b>                                       | <u>\$ 8,300,345</u> | <u>\$ 8,263,454</u> | <u>\$ 7,793,309</u> | <u>\$ 7,189,727</u> | <u>\$ 6,888,866</u> |
| <b>Net pension liability (asset) – ending (a)-(b)</b>                                 | <u>\$ (11,016)</u>  | <u>\$ 247,273</u>   | <u>\$ 135,404</u>   | <u>\$ (151,348)</u> | <u>\$ (217,028)</u> |
| <b>Plan fiduciary net position as a<br/>percentage of the total pension liability</b> | 100.13%             | 97.09%              | 98.29%              | 102.15%             | 103.25%             |
| <b>Covered employee payroll</b>   | \$ 783,772          | \$ 751,149          | \$ 823,863          | \$ 801,776          | \$ 892,823          |
| <b>Net pension liability as a<br/>percentage of covered employee payroll</b>          | -1.41%              | 32.92%              | 16.44%              | -18.88%             | -24.31%             |

Notes to schedule:

This information is not available for previous years

<sup>1</sup>The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of benefit terms: For measurement date 09/30/2017, the plan was amended with Ordinance 1442-17 -Providing for a supplemental benefit in the form of a 13th check, payable each year that the investment rate of return exceeds 8.5% and the plan's funded ratio is 95% or higher. The 13th check would be equal in amount to the 12th check paid during the year. The benefit is payable to all current and future retirees (including DROP participants), but not beneficiaries or terminated vested members.

Changes of Assumptions: For the measurement period 09/30/2016 the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant. For the measurement period 09/30/2015, amounts reported as changes of assumptions were resulted from an experience study performed by Foster & Foster, dated November 23, 2015. The salary increase assumption was changed from a flat 7.5% per year to a service-based table, in order to better reflect actual plan experience. The mortality assumptions were changed to use the same mortality tables utilized by the Florida Retirement System in their October 1, 2014 actuarial valuation. This is in anticipation of the requirement imposed by Chapter 2015-157, Laws of Florida, that public plans in Florida must use these mortality assumptions beginning with the October 1, 2016 actuarial valuation.

See notes to required supplementary information.



**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTERS' RETIREMENT PLAN  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION  
LIABILITY AND RELATED RATIOS – UNAUDITED– CONTINUED**

| Reporting Period ending<br>Measurement Date   | 9/30/20<br>9/30/19  | 9/30/19<br>9/30/18  | 9/30/18<br>9/30/17  | 9/30/17<br>9/30/16  | 9/30/16<br>9/30/15  |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total Pension Liability</b>  |                     |                     |                     |                     |                     |
| Service cost  | \$ 158,852          | \$ 152,457          | \$ 138,442          | \$ 120,267          | \$ 112,024          |
| Interest  | 699,358             | 661,185             | 617,110             | 584,392             | 567,389             |
| Differences between experience  | 118,836             | 94,780              | 220,939             | 64,117              | 105,996             |
| Change in assumptions   | (461)               | -                   | -                   | 239,044             | -                   |
| Benefit payments, including refunds<br>of employee contributions                      | (420,388)           | (423,214)           | (420,388)           | (787,258)           | (361,274)           |
| <b>Net change in total pension liability</b>  | 556,197             | 485,208             | 556,103             | 220,562             | 424,135             |
| <b>Total pension liability – beginning</b>  | 9,076,244           | 8,591,036           | 8,034,933           | 7,814,371           | 7,390,236           |
| <b>Total pension liability – ending (a)</b>   | <u>\$ 9,632,441</u> | <u>\$ 9,076,244</u> | <u>\$ 8,591,036</u> | <u>\$ 8,034,933</u> | <u>\$ 7,814,371</u> |
| <b>Plan Fiduciary Net Position</b>  |                     |                     |                     |                     |                     |
| Contributions – employer  | \$ 415,047          | \$ 383,565          | \$ 388,046          | \$ 349,105          | \$ 272,667          |
| Contributions – state   | 71,083              | 75,115              | 77,460              | 81,560              | 77,020              |
| Contributions – member  | 61,550              | 56,922              | 54,714              | 50,925              | 44,832              |
| Net investment income   | 301,313             | 497,296             | 527,323             | 414,969             | (202,680)           |
| Benefit payments, including refunds<br>of employee contributions                      | (420,388)           | (423,214)           | (420,388)           | (787,258)           | (361,274)           |
| Administrative expenses   | (29,080)            | (21,918)            | (17,120)            | (24,768)            | (30,222)            |
| <b>Net change in plan fiduciary net position</b>                                      | 399,525             | 567,766             | 610,035             | 84,533              | (199,657)           |
| <b>Plan fiduciary net position – beginning</b>  | 5,036,869           | 4,469,103           | 3,859,068           | 3,774,535           | 3,974,192           |
| <b>Plan fiduciary net position – ending (b)</b>                                       | <u>\$ 5,436,394</u> | <u>\$ 5,036,869</u> | <u>\$ 4,469,103</u> | <u>\$ 3,859,068</u> | <u>\$ 3,774,535</u> |
| <b>Net pension liability – ending (a)-(b)</b>   | <u>\$ 4,196,047</u> | <u>\$ 4,039,375</u> | <u>\$ 4,121,933</u> | <u>\$ 4,175,865</u> | <u>\$ 4,039,836</u> |
| <b>Plan fiduciary net position as a<br/>percentage of the total pension liability</b> | 56.44%              | 55.50%              | 52.02%              | 48.03%              | 48.30%              |
| <b>Covered employee payroll (1)</b>   | \$ 946,927          | \$ 875,724          | \$ 841,749          | \$ 783,461          | \$ 811,423          |
| <b>Net pension liability as a<br/>percentage of covered employee payroll</b>          | 443.12%             | 461.26%             | 489.69%             | 533.00%             | 497.87%             |

Notes to schedule:

This information is not available for previous years

<sup>1</sup>The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

For measurement date 09/30/2019, amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816, Florida Statutes. The Statutes state that, effective July 1, 2019, a death or disability (under the Plan's definition of total and permanent disability) for a Firefighter due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer will be treated as duty-related.

Changes in assumptions: For the reporting period 9/30/16, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS – UNAUDITED  
LAST TEN FISCAL YEARS**

|  | 2020                | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b><u>General Employees' Retirement Plan</u></b>                         |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Actuarially determined contribution                                      | \$ 493,709          | \$ 598,201          | \$ 500,108          | \$ 410,250          | \$ 493,399          | \$ 463,611          | \$ 515,239          | \$ 431,650          | \$ 350,068          | \$ 263,193          | \$ 212,522          |
| Contributions in relation to the actuarially determined contributions    | 493,709             | 598,201             | 500,108             | 410,250             | 538,937             | 463,611             | 515,239             | 431,650             | 350,068             | 263,193             | 212,522             |
| <b>Contribution deficiency (excess)</b>                                  | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ (45,538)</b>  | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Covered employee payroll*</b>   | <b>\$ 2,758,152</b> | <b>\$ 2,612,232</b> | <b>\$ 2,273,218</b> | <b>\$ 2,125,652</b> | <b>\$ 2,294,878</b> | <b>\$ 2,534,951</b> | <b>\$ 2,164,868</b> | <b>\$ 2,534,951</b> | <b>\$ 2,147,539</b> | <b>\$ 2,212,864</b> | <b>\$ 2,310,954</b> |
| <b>Net pension liability as a percentage of covered employee payroll</b> | <b>17.90%</b>       | <b>22.90%</b>       | <b>22.00%</b>       | <b>19.30%</b>       | <b>23.48%</b>       | <b>18.29%</b>       | <b>23.80%</b>       | <b>17.03%</b>       | <b>16.30%</b>       | <b>11.89%</b>       | <b>9.20%</b>        |
| <b><u>Police Officers' Retirement Plan</u></b>                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Actuarially determined contribution                                      | \$ 203,871          | \$ 154,403          | \$ 150,981          | \$ 158,182          | \$ 165,968          | \$ 158,624          | \$ 244,248          | \$ 267,788          | \$ 247,022          | \$ 228,650          | \$ 190,324          |
| Contributions in relation to the actuarially determined contribution     | 181,722             | 158,970             | 155,189             | 167,375             | 171,721             | 173,098             | 244,506             | 267,788             | 247,022             | 228,650             | 190,324             |
| <b>Contribution deficiency (excess)</b>                                  | <b>\$ 22,149</b>    | <b>\$ (4,567)</b>   | <b>\$ (4,208)</b>   | <b>\$ (9,193)</b>   | <b>\$ (5,753)</b>   | <b>\$ (14,474)</b>  | <b>\$ (258)</b>     | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Covered employee payroll*</b>   | <b>\$ 845,989</b>   | <b>\$ 783,772</b>   | <b>\$ 751,149</b>   | <b>\$ 823,863</b>   | <b>\$ 801,776</b>   | <b>\$ 892,823</b>   | <b>\$ 733,479</b>   | <b>\$ 2,534,951</b> | <b>\$ 760,984</b>   | <b>\$ 853,431</b>   | <b>\$ 836,238</b>   |
| <b>Net pension liability as a percentage of covered employee payroll</b> | <b>21.48%</b>       | <b>20.28%</b>       | <b>20.66%</b>       | <b>20.32%</b>       | <b>21.42%</b>       | <b>19.39%</b>       | <b>33.34%</b>       | <b>10.56%</b>       | <b>32.46%</b>       | <b>26.79%</b>       | <b>22.76%</b>       |
| <b><u>Firefighters' Retirement Plan</u></b>                              |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Actuarially determined contribution                                      | \$ 496,190          | \$ 496,190          | \$ 467,637          | \$ 470,538          | \$ 406,616          | \$ 349,687          | \$ 332,240          | \$ 279,992          | \$ 216,366          | \$ 203,499          | \$ 203,450          |
| Contributions in relation to the actuarially determined contributions    | 496,246             | 486,130             | 458,680             | 465,506             | 430,665             | 349,687             | 332,240             | 279,992             | 214,366             | 203,499             | 203,449             |
| <b>Contribution deficiency (excess)</b>                                  | <b>\$ (56)</b>      | <b>\$ 10,060</b>    | <b>\$ 8,957</b>     | <b>\$ 5,032</b>     | <b>\$ (24,049)</b>  | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ 2,000</b>     | <b>\$ -</b>         | <b>\$ 1</b>         |
| <b>Covered employee payroll*</b>   | <b>\$ 965,459</b>   | <b>\$ 946,927</b>   | <b>\$ 875,724</b>   | <b>\$ 841,749</b>   | <b>\$ 783,461</b>   | <b>\$ 811,423</b>   | <b>\$ 676,661</b>   | <b>\$ 2,164,868</b> | <b>\$ 657,941</b>   | <b>\$ 655,402</b>   | <b>\$ 739,015</b>   |
| <b>Net pension liability as a percentage of covered employee payroll</b> | <b>51.40%</b>       | <b>51.34%</b>       | <b>52.38%</b>       | <b>55.30%</b>       | <b>54.97%</b>       | <b>43.10%</b>       | <b>49.10%</b>       | <b>12.93%</b>       | <b>32.58%</b>       | <b>31.05%</b>       | <b>27.53%</b>       |

\* The Covered Employee Payroll numbers shown are in compliance with GASB 82.

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL RETIREMENT PLAN  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS – UNAUDITED**

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**Valuation Date:** October 1, 2017

**Notes:** Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

**Actuarial cost method:** Entry Age Normal Actuarial Cost Method

**Amortization method:** Amortization bases established are amortized over 15 years

**Asset valuation method:** Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

**Inflation:** 3.0% per year

**Salary increases:** 5.5% per year until the assumed Retirement age

7.5% per year compounded annually, net of investment related expenses. This assumption is in line with the national average for public programs and is reasonable based on the asset allocation.

**Interest rate:**

**Payroll growth:** 0.00%, utilized for amortizing the unfunded actuarial accrued liabilities.

**Retirement age:** Earlier of Age 65 and 10 years of service or the completion of 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.

**Early retirement:** Commencing at eligibility for Early Retirement (age 55 with 10 years of service), Members are assumed to retire with an immediate benefit at the rate of 1% per year.

**Healthy Lives:**  
Female: RP2000 Generational, 100% combined Healthy White Collar, Scale BB. Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB Collar, Scale BB.

**Disabled Lives:**  
Female: 100% RP2000 Disabled Female set forward two years.  
Male: 100% RP2000 Disabled Male setback four years.

**Mortality:**

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
POLICE EMPLOYEES' RETIREMENT PLAN  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS – UNAUDITED**

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**Valuation Date:** October 1, 2017

**Notes:** Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

**Funding method:** Entry Age Normal Actuarial Cost Method

**Amortization method:** Amortization bases established are amortized over 15 years.

**Asset valuation method:** All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

**Inflation:** 2.5% per year

**Salary increases:** Graded schedule based on service, grading from 12% to 4.5% at 10 or more years of service. This is based on the results of an actuarial experience study for the period 2009-2015.  
Projected salary at retirement is increased based on service as of July 1, 2011, to account for non-regular compensation as follows (previously a flat 20% assumption):

| <u>Service</u> | <u>Final Salary Load</u> |
|----------------|--------------------------|
| N/A            | 0.00%                    |
| ≤ 1 year       | 5.00%                    |
| ≤ 10 years     | 15.00%                   |
| ≤ 20 years     | 20.00%                   |
| > 20 years     | 30.00%                   |

**Interest rate:** 7.5% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

**Payroll increase:** 1.12% per year

**Cost-of-living increase:** 1% per year (service retirees)

**Retirement age:** Earlier of: 1) Age 55 and 10 years of service or 2) 20 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year

**Early retirement:** Commencing with the earliest Early Retirement Age (50), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

**Disability rates:** It is assumed that 75% of disablements and active Member deaths are service related.

**Mortality:** Healthy Males: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.  
Healthy Females: RP2000 Generational, 100% Annuitant White Collar, Scale BB.  
Disabled Males: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.  
Disabled Females: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
FIREFIGHTERS' RETIREMENT PLAN  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS – UNAUDITED**

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|  |   |
|--|---|
| <b>Valuation Date:</b>   | October 1, 2017   |
| Notes:   | Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported  |
| <b>Methods and Assumptions Used to Determine Contribution Rates:</b> |   |
| Funding method:  | Entry Age Normal Actuarial Cost Method  |
| Asset valuation method:  | Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.  |
| Inflation:   | 2.5% per year   |
| Salary increases:  | 6% per year until the assumed Retirement Age  |
| Interest rate:   | 7.75% per year compounded annually, net of investment related expenses.   |
| Payroll growth:  | 10-year historical average of the actual payroll growth, limited to 1.31% per year.   |
| Retirement age:  | Earlier of Age 54 and 10 years of service or the completion of 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.  |
| Early retirement:  | Commencing at eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 2% per year.   |
| Disability rates:  | It is assumed that 75% of disablements and active Member deaths are service related.  |
| Mortality:   | <p>Healthy Lives:<br/>           Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.<br/>           Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.</p> <p>Disabled Lives:<br/>           Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.<br/>           Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.</p> <p>The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report. We feel this assumption sufficiently accommodates future mortality improvements.</p> |

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
RETIREMENT PLAN  
SCHEDULE OF INVESTMENT RETURNS – UNAUDITED**

|  | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b><u>General Employees' Retirement Plan</u></b> |             |             |             |             |             |             |
| Annual Money-Weighted Rate of Return             | 3.17%       | 8.64%       | 10.55%      | 7.77%       | 1.41%       | 9.19%       |
| *Net of Investment expense                       |             |             |             |             |             |             |
| <b><u>Police Officers' Retirement Plan</u></b>   |             |             |             |             |             |             |
| Annual Money-Weighted Rate of Return             | 3.02%       | 9.01%       | 10.73%      | 7.80%       | 1.21%       | 8.55%       |
| *Net of Investment expense                       |             |             |             |             |             |             |
| <b><u>Firefighters' Retirement Plan</u></b>      |             |             |             |             |             |             |
| Annual Money-Weighted Rate of Return             | 5.98%       | 11.15%      | 13.69%      | 11.21%      | -5.08%      | 11.98%      |
| *Net of Investment expense                       |             |             |             |             |             |             |

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULES OF CHANGES IN THE CITY'S NET OPEB LIABILITY  
AND RELATED RATIOS – UNAUDITED**

| Reporting Period ending<br>Measurement Date  | 9/30/20<br>9/30/19  | 9/30/19<br>9/30/18  | 9/30/18<br>9/30/17  |
|--|---------------------|---------------------|---------------------|
| <b>Total OPEB Liability</b>  |                     |                     |                     |
| Service cost   | \$ 172,157          | \$ 175,165          | \$ 166,713          |
| Differences between expected and actual experience                                 | (112,149)           | (269,273)           | -                   |
| Changes in assumptions   | (40,938)            | (613,804)           | -                   |
| Interest   | 265,202             | 292,828             | 286,716             |
| Explicit benefit payments  | (18,096)            | (13,246)            | (15,054)            |
| Implicit benefit payments  | (80,494)            | (102,618)           | (91,488)            |
| <b>Net change in total OPEB liability</b>  | 185,682             | (530,948)           | 346,887             |
| <b>Total OPEB liability – beginning</b>  | 3,524,421           | 4,055,369           | 3,708,482           |
| <b>Total OPEB liability – ending (a)</b>   | <u>\$ 3,710,103</u> | <u>\$ 3,524,421</u> | <u>\$ 4,055,369</u> |
| <b>Plan Fiduciary Net Position</b>   |                     |                     |                     |
| Explicit contributions - employer  | \$ 95,570           | \$ 103,169          | \$ 201,812          |
| Implicit contributions - employer  | 80,494              | 102,618             | 91,488              |
| Net investment income  | 83,728              | 213,611             | 233,075             |
| Explicit benefit payments  | (18,096)            | (13,246)            | (15,054)            |
| Implicit benefit payments  | (80,494)            | (102,618)           | (91,488)            |
| Administrative expenses  | (35,250)            | (33,602)            | (32,389)            |
| <b>Net change in plan fiduciary net position</b>                                   | 125,952             | 269,932             | 387,444             |
| <b>Plan fiduciary net position – beginning</b>                                     | 2,751,442           | 2,481,510           | 2,094,066           |
| <b>Plan fiduciary net position – ending (b)</b>                                    | <u>\$ 2,877,394</u> | <u>\$ 2,751,442</u> | <u>\$ 2,481,510</u> |
| <b>Net OPEB liability – ending (a)-(b)</b>   | <u>\$ 832,709</u>   | <u>\$ 772,979</u>   | <u>\$ 1,573,859</u> |
| <b>Plan fiduciary net position as a<br/>percentage of the total OPEB liability</b> | 77.56%              | 78.07%              | 61.19%              |
| <b>Covered employee payroll</b>  | \$ 5,477,286        | \$ 5,350,280        | \$ 5,245,372        |
| <b>Net OPEB liability as a<br/>percentage of covered employee payroll</b>          | 15.20%              | 14.45%              | 30.00%              |

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF SPONSOR CONTRIBUTIONS – UNAUDITED**

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|   | <b>2019</b>         | <b>2018</b>         | <b>2017</b>         |
|---|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                       | \$ 247,658          | \$ 247,086          | \$ 321,320          |
| Contributions in relation to the actuarially<br>determined contributions  | 95,570              | 103,169             | 201,812             |
| <b>Contribution deficiency</b>  | <b>\$ 152,088</b>   | <b>\$ 143,917</b>   | <b>\$ 119,508</b>   |
| <b>Covered employee payroll</b>   | <b>\$ 5,477,286</b> | <b>\$ 5,245,372</b> | <b>\$ 5,838,317</b> |
| <b>Net OPEB liability as a percentage<br/>of covered employee payroll</b> | 1.74%               | 1.97%               | 3.46%               |

Notes to schedule:

Actuarially determined contribution rates shown above are calculated as of October 1, 2018, for the plan/fiscal year in which contributions are reported.

See notes to required supplementary information.



**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS  
SCHEDULE OF INVESTMENT RETURNS – UNAUDITED**

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|                                      | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------|-------------|-------------|
| Annual Money-Weighted Rate of Return | 5.44%       | 8.23%       | 10.70%      |
| *Net of Investment expense           |             |             |             |

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS  
NOTES TO THE OPEB SCHEDULES**

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**Valuation Date:** October 1, 2018

Notes: Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported

**Methods and Assumptions Used to Determine Contribution Rates:**

Funding method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 Years (as of 10/01/2017 valuation)

Interest Rate: 7.5% per year, compounded annually, et of investment related expenses.

Healthcare Inflation: Initial rate of 8.00% in fiscal 2019, grading down to the ultimate trend rate of 4.00% in fiscal 2075.

Payroll Growth: Varies by service

Inflation: 2.5% per year.

See notes to required supplementary information.

## **OTHER SUPPLEMENTARY INFORMATION**

# **CITY OF MILTON, FLORIDA**

## **COMBINING FUND STATEMENTS**

These financial statements provide a more detailed view of the "Basic Financial Statements" presented in the preceding subsection.

Combining statements are presented when there is more than one fund of a given fund type.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

#### **Police Special Investigation Fund**

To account for funds received from seized or forfeited property to be used for the purpose of defraying the cost of protracted or complex investigations, to provide additional technical equipment or to provide matching funds to obtain federal grants.

#### **Red Light Camera Fund**

To account for funds received from the red-light camera service contract. Expenditures in this fund are to be used for public safety expenditures associated with operation of the red-light camera.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest in accordance with bond ordinances.

**CITY OF MILTON, FLORIDA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2020**

|   | <u>Special Revenue Funds</u>            |                             |                     | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|---|---|-----------------------------|---------------------|--|
|   | <u>Police Special<br/>Investigation</u> | <u>Red Light<br/>Camera</u> | <u>Debt Service</u> |  |
| <b>ASSETS</b>                             |   |                             |                     |  |
| Cash and cash equivalents                 | \$ -                                    | \$ 21,393                   | \$ 225,261          | \$ 246,654                                       |
| Accounts receivable                       | -                                       | 7,478                       | -                   | 7,478  |
| Restricted cash                           | 10,322                                  | 156,528                     | -                   | 166,850  |
| <b>TOTAL ASSETS</b>                       | <u>\$ 10,322</u>                        | <u>\$ 185,399</u>           | <u>\$ 225,261</u>   | <u>\$ 420,982</u>                                |
| <b>LIABILITIES AND FUND BALANCE</b>       |   |                             |                     |  |
| Liabilities                               |   |                             |                     |  |
| Accounts payable                          | \$ -                                    | \$ 21,393                   | \$ -                | \$ 21,393  |
| Total liabilities                         | -                                       | 21,393                      | -                   | 21,393   |
| Fund balance                              |   |                             |                     |  |
| Restricted                                |   |                             |                     |  |
| Public safety                             | 10,322                                  | 164,006                     | -                   | 174,328  |
| Assigned                                  | -                                       | -                           | 225,261             | 225,261  |
| Total fund balance                        | <u>10,322</u>                           | <u>164,006</u>              | <u>225,261</u>      | <u>399,589</u>                                   |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u>\$ 10,322</u>                        | <u>\$ 185,399</u>           | <u>\$ 225,261</u>   | <u>\$ 420,982</u>                                |

**CITY OF MILTON, FLORIDA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|  | <u>Special Revenue Funds</u>            |                             |                     | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--|---|-----------------------------|---------------------|--|
|  | <u>Police Special<br/>Investigation</u> | <u>Red Light<br/>Camera</u> | <u>Debt Service</u> |  |
| <b>REVENUES</b>                            |   |                             |                     |  |
| Fines and forfeits                         | \$ 200                                  | \$ 366,280                  | \$ -                | \$ 366,480                                       |
| Miscellaneous                              | 404                                     | 83                          | -                   | 487  |
| Total revenues                             | 604                                     | 366,363                     | -                   | 366,967  |
| <b>EXPENDITURES</b>                        |   |                             |                     |  |
| Current                                    |   |                             |                     |  |
| Public safety                              | -                                       | 233,919                     | -                   | 233,919  |
| General government                         |   |                             | 68                  | 68   |
| Debt service                               |   |                             |                     |  |
| Principal                                  | -                                       | -                           | 47,301              | 47,301   |
| Interest                                   | -                                       | -                           | 3,971               | 3,971  |
| Total expenditures                         | -                                       | 233,919                     | 51,340              | 285,259  |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER)</b> | 604                                     | 132,444                     | (51,340)            | 81,708   |
| <b>SOURCES (USES)</b>                      |   |                             |                     |  |
| Transfers in                               | -                                       | -                           | 51,272              | 51,272   |
| Transfers out                              | -                                       | (53,967)                    | -                   | (53,967)   |
| Total other financing<br>sources (uses)    | -                                       | (53,967)                    | 51,272              | (2,695)  |
| <b>BALANCE</b>                             | 604                                     | 78,477                      | (68)                | 79,013   |
| <b>FUND BALANCE, BEGINNING</b>             | 9,718                                   | 85,529                      | 225,329             | 320,576  |
| <b>FUND BALANCE, ENDING</b>                | <u>\$ 10,322</u>                        | <u>\$ 164,006</u>           | <u>\$ 225,261</u>   | <u>\$ 399,589</u>                                |

## NON-MAJOR PROPRIETARY FUNDS

The Proprietary Funds are used to account for operations that are financed in a manner similar to private business enterprise where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

### Stormwater Fund

To account for the income and expenses related to the operation of the stormwater utility system.

### Marina Fund

To account for the income and expenses related to the operation of the Marina.



**CITY OF MILTON, FLORIDA  
NON-MAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

|                                  | <u>Stormwater<br/>Fund</u> | <u>Marina Fund</u> | <u>Total Non-<br/>Major Funds</u> |
|----------------------------------|----------------------------|--------------------|-----------------------------------|
| <b>ASSETS</b>                    |                            |                    |                                   |
| Current assets                   |                            |                    |                                   |
| Cash and cash equivalents        | \$ 463,071                 | \$ 142,029         | \$ 605,100                        |
| Receivables, net                 | 38,311                     | -                  | 38,311                            |
| Total current assets             | 501,382                    | 142,029            | 643,411                           |
| Capital assets                   |                            |                    |                                   |
| Non-depreciable                  | 380,350                    | 519,404            | 899,754                           |
| Depreciable, net                 | 42,775                     | 8,250              | 51,025                            |
| Total capital assets             | 423,125                    | 527,654            | 950,779                           |
| <b>TOTAL ASSETS</b>              | <u>924,507</u>             | <u>669,683</u>     | <u>1,594,190</u>                  |
| <b>LIABILITIES</b>               |                            |                    |                                   |
| Current liabilities              |                            |                    |                                   |
| Accounts payable                 | 162                        | 257                | 419                               |
| <b>TOTAL LIABILITIES</b>         | <u>162</u>                 | <u>257</u>         | <u>419</u>                        |
| <b>NET POSITION</b>              |                            |                    |                                   |
| Net investment in capital assets | 423,125                    | 527,654            | 950,779                           |
| Unrestricted                     | 501,220                    | 141,772            | 642,992                           |
| <b>TOTAL NET POSITION</b>        | <u>\$ 924,345</u>          | <u>\$ 669,426</u>  | <u>\$ 1,593,771</u>               |

**CITY OF MILTON, FLORIDA  
NON-MAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|                                | <b>Stormwater<br/>fund</b> | <b>Marina<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Funds</b> |
|--------------------------------|----------------------------|------------------------|--------------------------------------|
| <b>OPERATING REVENUES</b>      |                            |                        |                                      |
| Charges for services           | \$ 226,620                 | \$ 42,619              | \$ 269,239                           |
| <b>OPERATING EXPENSES</b>      |                            |                        |                                      |
| Operating                      | 129,642                    | 17,383                 | 147,025                              |
| Depreciation                   | 21,965                     | 9,000                  | 30,965                               |
| Total operating expenses       | 151,607                    | 26,383                 | 177,990                              |
| <b>OPERATING INCOME (LOSS)</b> | 75,013                     | 16,236                 | 91,249                               |
| <b>NON-OPERATING REVENUES</b>  |                            |                        |                                      |
| Interest income                | 1,659                      | -                      | 1,659                                |
| Miscellaneous                  | -                          | 9,372                  | 9,372                                |
| Total non-operating revenues   | 1,659                      | 9,372                  | 11,031                               |
| <b>CHANGE IN NET POSITION</b>  | 76,672                     | 25,608                 | 102,280                              |
| <b>NET POSITION, BEGINNING</b> | 847,673                    | 643,818                | 1,491,491                            |
| <b>NET POSITION, ENDING</b>    | <b>\$ 924,345</b>          | <b>\$ 669,426</b>      | <b>\$ 1,593,771</b>                  |

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|   | <u>Stormwater<br/>Fund</u> | <u>Marina<br/>Fund</u> | <u>Total<br/>Major<br/>Funds</u> |
|---|----------------------------|------------------------|----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                        |                                  |
| Receipts from customers and users   | \$ 224,152                 | \$ 42,619              | \$ 266,771                       |
| Payments to suppliers   | (165,638)                  | (18,528)               | (184,166)                        |
| Miscellaneous income  | -                          | 9,372                  | 9,372                            |
| Net cash provided by operating activities   | <u>58,514</u>              | <u>33,463</u>          | <u>91,977</u>                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                        |                                  |
| Interest income   | <u>1,659</u>               | -                      | <u>1,659</u>                     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 60,173                     | 33,463                 | 93,636                           |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>   | <u>402,898</u>             | <u>108,566</u>         | <u>511,464</u>                   |
| <b>CASH AND CASH EQUIVALENTS, ENDING</b>  | <u>\$ 463,071</u>          | <u>\$ 142,029</u>      | <u>\$ 605,100</u>                |
| <b>RECONCILIATION OF OPERATING INCOME<br/>   (LOSS) TO NET CASH PROVIDED BY<br/>   OPERATING ACTIVITIES</b> |                            |                        |                                  |
| Operating income (loss)   | \$ 75,013                  | \$ 16,236              | \$ 91,249                        |
| Adjustments to reconcile operating income (loss) to net cash provided<br>by operating activities:           |                            |                        |                                  |
| Depreciation  | 21,965                     | 9,000                  | 30,965                           |
| Miscellaneous income  | -                          | 9,372                  | 9,372                            |
| Decrease (increase) in assets:  |                            |                        |                                  |
| Accounts receivable   | (2,468)                    | -                      | (2,468)                          |
| Increase (decrease) in liabilities:   |                            |                        |                                  |
| Accounts payable  | <u>(35,996)</u>            | <u>(1,145)</u>         | <u>(37,141)</u>                  |
| Net cash provided by operating activities   | <u>\$ 58,514</u>           | <u>\$ 33,463</u>       | <u>\$ 91,977</u>                 |

## **COMPLIANCE SECTION**

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE  
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE  
AUDITOR GENERAL**

To the Honorable Mayor and Members of the City Council  
The City of Milton, Florida

We have examined the City of Milton, Florida's (the City) compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2020.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Milton, Florida complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2020.

*Warren Averett, LLC*

Pensacola, Florida  
April 6, 2021

**INDEPENDENT AUDITORS' 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**

To the Honorable Mayor and City Council Members  
The City of Milton, Florida

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Milton, Florida's basic financial statements and have issued our report thereon dated April 6, 2021.

**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) as a basis for designing 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; therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency (2020-001) described in the accompanying schedule of findings and responses to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

**Management'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 subject 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.

*Warren Averett, LLC*

Pensacola Florida

April 6, 2021

**CITY OF MILTON, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**Finding 2020-001: Bank Reconciliation Process**

**Criteria and Condition:**

Reconciliation of the month-end bank balance to the general ledger balance should be performed with no unreconciled difference existing upon completion. Throughout the year, the City's bank reconciliation for the pooled cash accounts did not agree to the general ledger balances. At September 30, 2020, an unreconciled difference of \$293 thousand existed.

**Cause:**

The City's pooled cash bank account reconciliation process is complex. On-going monitoring is vital in the reconciliation process. The City did not adequately reconcile the general ledger activity against the pooled bank account activity throughout the year. In January 2020, a batch posting from the utility billing software was duplicated, which accounted for \$241 thousand of the unreconciled difference, and remained uncorrected through the end of the year.

**Effect:**

As of September 30, 2020, the pooled cash account, utility accounts receivable, and charges for services for the natural gas and water sewer fund contained material errors.

**Recommendation:**

We recommend management review the bank reconciliation process and establish set procedures for monitoring and reconciling the pooled cash accounts on a timely basis.

**Views of Responsible Officials and Planned Corrective Actions:**

The City has reviewed the current bank reconciliation procedures and implemented an additional level of review to assist in timely detecting and resolving errors within the reconciliation each month.



## MANAGEMENT LETTER

To the Honorable Mayor and City Council Members  
City of Milton, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Milton, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated April 6, 2021.

### Auditors' Responsibility

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 and Chapter 10.550, *Rules of the Auditor General*.

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports and schedule, which are dated April 6, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no prior year findings.

### Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Milton, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Milton, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b., and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Milton, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we communicate in the management letter any recommendations to improve financial management. See the schedule of findings and response.

**Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit the City provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the City in accordance with Section 218.39(3)(b), Florida Statutes. The City of Milton, Florida has no component units that are special districts.

**Additional Matters**

Section 10.554(1)(i)3., *Rules of Auditor General*, requires that we communicate noncompliance with provisions of contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended us during our audit.

*Warren Averett, LLC*

Pensacola, Florida  
April 6, 2021