

**CITY OF MILTON, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

I. INTRODUCTORY SECTION

Table of Contents	i-ii
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II. FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
<u><i>Governmental Funds</i></u>	
Balance Sheet	19
Reconciliation of the Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balance	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Redevelopment Agency Fund	24
<u><i>Proprietary Funds</i></u>	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
<u><i>Fiduciary Funds</i></u>	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30
Notes to the Financial Statements	31

**CITY OF MILTON, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

III. REQUIRED SUPPLEMENTARY INFORMATION

PENSION SCHEDULES

Schedules of Changes in the City's Net Position Liability and Related Ratios – Unaudited	73
Schedule of Contributions – Unaudited	76
Notes to the Schedule of Contributions – Unaudited	77
Schedule of Investment Returns – Unaudited	80

OTHER POST-EMPLOYMENT BENEFIT (OPEB) SCHEDULES

Schedules of Changes in the City's Net OPEB Liability and Related Ratios – Unaudited	81
Schedule of Sponsor Contributions – Unaudited	82
Schedule of Investment Returns – Unaudited	83
Notes to the OPEB Schedules	84

IV. OTHER SUPPLEMENTARY INFORMATION

COMBINING FUND STATEMENTS

Non-Major Governmental Funds

Combining Balance Sheet	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	86

Non-Major Enterprise Funds

Combining Statement of Net Position	87
Combining Statement of Revenues, Expenses, and Changes in Net Position	88
Combining Statement of Cash Flows	89

V. COMPLIANCE SECTION

Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	90
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 <i>Government Auditing Standards</i>	91
Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	93
Schedule of Expenditures of Federal Awards	95
Notes to the Schedule of Expenditures of Federal Awards	96
Schedule of Findings and Questioned Costs	97
Management Letter	99
Summary Schedule of Prior Audit Findings for The Year Ended September 30, 2021	101

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, 2021, 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, 2021, 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 and the 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and schedule of expenditures of federal awards 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 and schedule of expenditures of federal awards 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 12, 2022, 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 the City of Milton, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
April 12, 2022

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$45 million (net position), which represents an increase of \$3.9 million from the prior year. Of this amount, \$23 million represents net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$11 million is restricted for future obligations, and \$11 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 \$2.6 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$8.3 million, an increase of \$1.3 million. Approximately \$2.8 million of the ending fund balances are nonspendable, restricted or assigned, and \$5.5 million is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5.5 million or approximately seven 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, 2021**

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, 2021**

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, 2021**

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 \$45 million (net position) at the end of the fiscal year, as reported in Table 1. As reported in Table 2, the overall increase in the City's net position was \$3.9 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 \$11 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$11 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, 2021**

**Table 1
CITY OF MILTON, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2021 AND 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 11,414,448	\$ 7,515,056	\$ 21,825,427	\$ 18,824,051	\$ 33,239,875	\$ 26,339,107
Capital assets	10,326,557	10,373,668	18,530,157	19,441,720	28,856,714	29,815,388
Total assets	21,741,005	17,888,724	40,355,584	38,265,771	62,096,589	56,154,495
Total deferred outflows of resources	2,071,322	2,326,331	324,665	437,889	2,395,987	2,764,220
Long-term liabilities outstanding	6,415,074	6,868,956	7,894,923	8,662,809	14,309,997	15,531,765
Other liabilities	3,113,735	522,569	417,222	379,845	3,530,957	902,414
Total liabilities	9,528,809	7,391,525	8,312,145	9,042,654	17,840,954	16,434,179
Total deferred inflows of resources	1,617,921	1,417,828	361,478	295,961	1,979,399	1,713,789
Net position						
Net investment in capital assets	10,277,284	10,275,805	12,243,215	12,556,880	22,520,499	22,832,685
Restricted	2,297,009	1,504,967	8,598,173	7,523,518	10,895,182	9,028,485
Unrestricted (deficit)	91,304	(375,070)	11,165,238	9,284,647	11,256,542	8,909,577
Total net position	\$ 12,665,597	\$ 11,405,702	\$ 32,006,626	\$ 29,365,045	\$ 44,672,223	\$ 40,770,747

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Governmental activities increased the City's net position by \$1.3 million and business-type activities increased the City's net position by \$2.6 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, 2021 AND 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 2,994,074	\$ 3,057,504	\$ 14,765,068	\$ 13,829,042	\$ 17,759,142	\$ 16,886,546
Grants and contributions	703,839	739,142	2,343,378	1,177,843	3,047,217	1,916,985
General revenues						
Property taxes	1,181,748	1,166,948	-	-	1,181,748	1,166,948
Other taxes	2,307,073	2,090,430	-	-	2,307,073	2,090,430
Other revenue	1,815,267	1,612,378	164,682	68,030	1,979,949	1,680,408
TOTAL REVENUES	9,002,001	8,666,402	17,273,128	15,074,915	26,275,129	23,741,317
EXPENSES						
Primary government						
General government	3,575,787	3,317,738	-	-	3,575,787	3,317,738
Public safety	4,559,829	4,442,300	-	-	4,559,829	4,442,300
Transportation	1,290,739	1,093,337	-	-	1,290,739	1,093,337
Economic environment	255,848	256,510	-	-	255,848	256,510
Culture and Recreation	1,360,375	1,433,366	-	-	1,360,375	1,433,366
Debt service interest	2,683	3,971	-	-	2,683	3,971
Business-type activities						
Natural gas	-	-	3,151,771	2,980,756	3,151,771	2,980,756
Water and sewer	-	-	5,742,033	5,585,327	5,742,033	5,585,327
Sanitation	-	-	1,679,346	1,407,554	1,679,346	1,407,554
Sundial utilities	-	-	569,257	500,792	569,257	500,792
Non-major proprietary funds	-	-	185,985	177,990	185,985	177,990
TOTAL EXPENSES	11,045,261	10,547,222	11,328,392	10,652,419	22,373,653	21,199,641
Increase (decrease) in net position before transfers	(2,043,260)	(1,880,820)	5,944,736	4,422,496	3,901,476	2,541,676
Transfers	3,303,155	3,263,155	(3,303,155)	(3,263,155)	-	-
Increase in net position	1,259,895	1,382,335	2,641,581	1,159,341	3,901,476	2,541,676
NET POSITION, BEGINNING	11,405,702	10,023,367	29,365,045	28,205,704	40,770,747	38,229,071
NET POSITION, ENDING	\$ 12,665,597	\$ 11,405,702	\$ 32,006,626	\$ 29,365,045	\$ 44,672,223	\$ 40,770,747

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

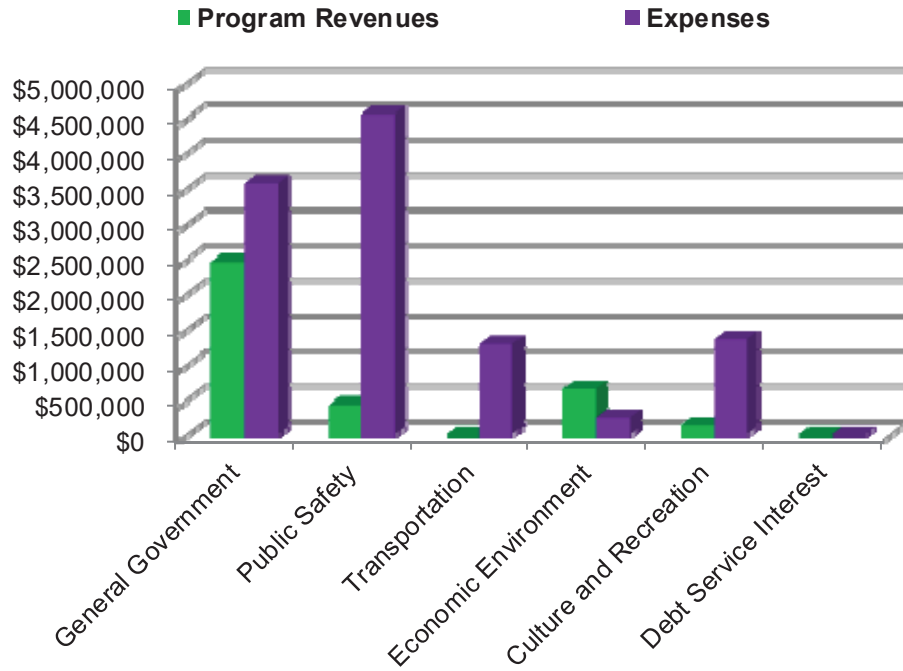
- Introduction of New Programs: Within functional expense categories (police, fire, public works, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments: Changes in service demand may cause the City Council to change 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

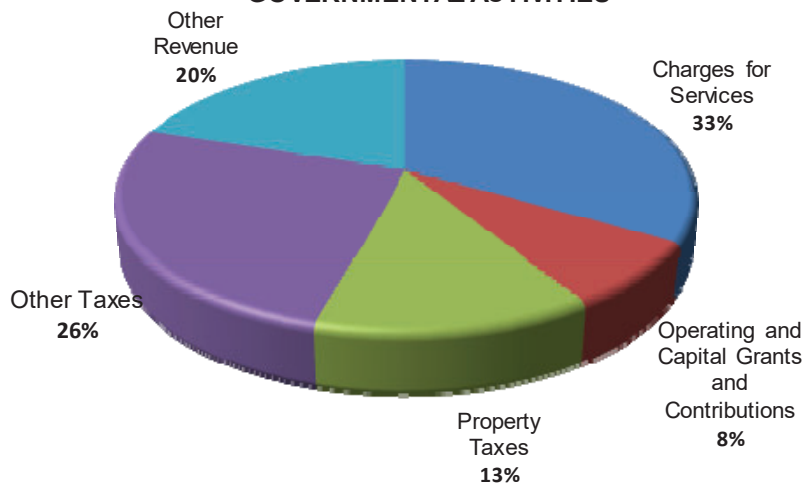
- Other taxes and other State shared revenues continued to increase approximately \$217,000 due to an increase in revenues from local sales-based taxes. The increase in revenues derived from taxable sales is consistent with the increased local spending as the health pandemic subsided in fiscal year 2021.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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



**CHART 2
REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES**

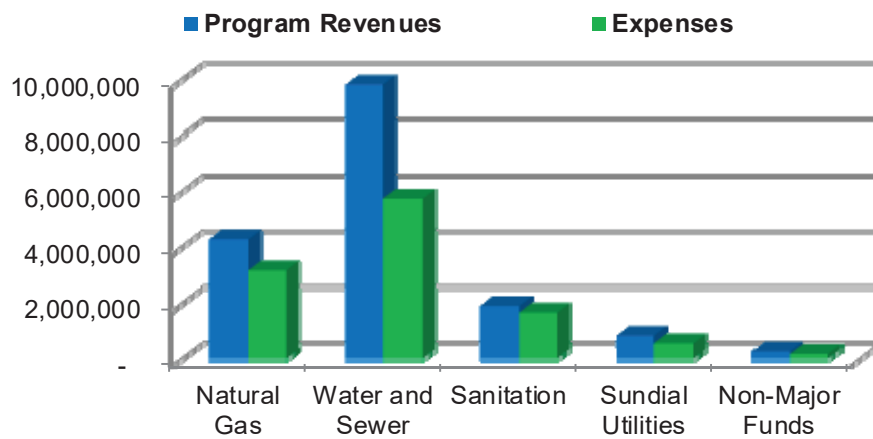


**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Current Year Impacts – Business-Type Activities

- Grants and contributions, which relates to impact fees, capital and operating grants, increased by \$1.2 million, due to grant funding reimbursements received from FEMA related to Hurricane Sally cleanup and repairs as well as grant funding provided for planning and engineering for the new wastewater treatment plant.

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



**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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 \$8.3 million, an increase of \$1.3 million from the prior year. \$5.5 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 obligations.

The General Fund is the chief operating fund of the City. 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 \$509 thousand. The key factor in the increase in fund balance is due to the previously mentioned increases in property and sales-based tax revenue 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 \$11.2 million at the end of the year. Proprietary funds net position increased by \$2.6 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 \$203 thousand and budgeted revenues were increased by \$109 thousand as presented in the final amended budget.

Actual results, when compared to the final budget, show a variance of \$604 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, 2021**

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, 2021, amounts to \$29 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, 2021 AND 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,240,182	\$ 3,240,182	\$ 1,073,027	\$ 1,073,027	\$ 4,313,209	\$ 4,313,209
Construction in progress	2,364,847	1,538,423	3,208,197	2,800,180	5,573,044	4,338,603
Buildings	969,938	1,133,587	-	5,500	969,938	1,139,087
Improvements other than buildings	3,071,102	3,653,411	12,653,407	14,035,699	15,724,509	17,689,110
Machinery and equipment	680,488	808,065	1,595,526	1,527,314	2,276,014	2,335,379
Total	\$ 10,326,557	\$ 10,373,668	\$ 18,530,157	\$ 19,441,720	\$ 28,856,714	\$ 29,815,388

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, 2021**

Outstanding Debt

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, 2021 AND 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes and loans payable	\$ -	\$ -	\$ 6,286,942	\$ 6,884,829	\$ 6,286,942	\$ 6,884,829
Capital leases	49,273	97,863	-	-	49,273	97,863
Compensated absences	564,393	584,526	135,727	153,200	700,120	737,726
Total	<u>\$ 613,666</u>	<u>\$ 682,389</u>	<u>\$ 6,422,669</u>	<u>\$ 7,038,029</u>	<u>\$ 7,036,335</u>	<u>\$ 7,720,418</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, 2021**

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 decreased 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.

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. Inquiries may also be sent via email to the Finance Department at chiefaccountant@mymiltonflorida.com.

BASIC FINANCIAL STATEMENTS

**CITY OF MILTON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,486,986	\$ 11,209,968	\$ 19,696,954
Receivables, net	149,730	1,538,419	1,688,149
Due from other governments	633,636	123,740	757,376
Inventory	241,037	132,073	373,110
Restricted assets			
Cash and cash equivalents	1,903,059	8,821,227	10,724,286
Capital assets			
Non-depreciable	5,605,029	4,281,224	9,886,253
Depreciable, net	4,721,528	14,248,933	18,970,461
TOTAL ASSETS	21,741,005	40,355,584	62,096,589
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	285,363	124,249	409,612
Pension related	1,785,959	200,416	1,986,375
TOTAL DEFERRED OUTFLOWS	2,071,322	324,665	2,395,987
LIABILITIES			
Accounts payable	144,135	334,003	478,138
Accrued liabilities	194,914	83,219	278,133
Unearned revenue	2,774,686	-	2,774,686
Compensated absences	481,027	127,052	608,079
Notes and loans payable	-	613,089	613,089
Capital lease payable	49,273	-	49,273
Payable from restricted assets			
Customer deposits	-	830,488	830,488
Non-current liabilities			
Compensated absences	83,366	8,675	92,041
Notes and loans payable	-	5,673,853	5,673,853
Net OPEB liability	338,736	147,488	486,224
Net pension liability	5,462,672	494,278	5,956,950
TOTAL LIABILITIES	9,528,809	8,312,145	17,840,954
DEFERRED INFLOWS OF RESOURCES			
OPEB related	731,361	318,440	1,049,801
Pension related	886,560	43,038	929,598
TOTAL DEFERRED INFLOWS	1,617,921	361,478	1,979,399
NET POSITION			
Net investment in capital assets	10,277,284	12,243,215	22,520,499
Restricted			
Debt service	-	1,068,073	1,068,073
Public safety	186,600	-	186,600
Community redevelopment	44,662	-	44,662
Capital projects	2,065,747	7,530,100	9,595,847
Unrestricted (deficit)	91,304	11,165,238	11,256,542
TOTAL NET POSITION	\$ 12,665,597	\$ 32,006,626	\$ 44,672,223

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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	\$ 3,575,787	\$ 2,437,321	\$ 23,429	\$ -	\$ (1,115,037)	\$ -	\$ (1,115,037)
Public safety	4,559,829	421,658	14,766	-	(4,123,405)	-	(4,123,405)
Transportation	1,290,739	-	-	-	(1,290,739)	-	(1,290,739)
Economic environment	255,848	5,950	90,524	560,033	400,659	-	400,659
Culture and recreation	1,360,375	129,145	15,087	-	(1,216,143)	-	(1,216,143)
Debt service interest	2,683	-	-	-	(2,683)	-	(2,683)
Total governmental activities	11,045,261	2,994,074	143,806	560,033	(7,347,348)	-	(7,347,348)
Business-type activities							
Natural gas	3,151,771	4,255,090	13,010	-	-	1,116,329	1,116,329
Water and sewer	5,742,033	7,882,948	163,511	1,763,912	-	4,068,338	4,068,338
Sanitation	1,679,346	1,513,686	402,945	-	-	237,285	237,285
Sundial utilities	569,257	836,993	-	-	-	267,736	267,736
Non-major proprietary funds	185,985	276,351	-	-	-	90,366	90,366
Total business-type activities	11,328,392	14,765,068	579,466	1,763,912	-	5,780,054	5,780,054
Total primary government	\$ 22,373,653	\$ 17,759,142	\$ 723,272	\$ 2,323,945	(7,347,348)	5,780,054	(1,567,294)
General revenues							
Taxes							
Property taxes					1,181,748	-	1,181,748
Sales taxes					1,023,717	-	1,023,717
Utility service taxes					1,283,356	-	1,283,356
Municipal revenue sharing					1,592,126	-	1,592,126
Investment earnings					2,621	2,082	4,703
Miscellaneous					220,520	162,600	383,120
Transfers					3,303,155	(3,303,155)	-
Total general revenues and transfers					8,607,243	(3,138,473)	5,468,770
CHANGE IN NET POSITION					1,259,895	2,641,581	3,901,476
NET POSITION, BEGINNING					11,405,702	29,365,045	40,770,747
NET POSITION, ENDING					\$ 12,665,597	\$ 32,006,626	\$ 44,672,223

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021**

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	
ASSETS					
Cash and cash equivalents	\$ 8,261,725	\$ -	\$ -	\$ 225,261	\$ 8,486,986
Receivables, net	148,333	-	-	1,397	149,730
Due from other governments	197,986	-	435,650	-	633,636
Inventory	241,037	-	-	-	241,037
Restricted assets					
Cash and cash equivalents	127,884	45,066	1,544,906	185,203	1,903,059
TOTAL ASSETS	<u>\$ 8,976,965</u>	<u>\$ 45,066</u>	<u>\$ 1,980,556</u>	<u>\$ 411,861</u>	<u>\$ 11,414,448</u>
LIABILITIES					
Accounts payable	\$ 101,038	\$ 404	\$ 42,693	\$ -	\$ 144,135
Accrued liabilities	194,914	-	-	-	194,914
Unearned revenue	2,774,686	-	-	-	2,774,686
Total liabilities	3,070,638	404	42,693	-	3,113,735
FUND BALANCE					
Nonspendable					
Inventory	241,037	-	-	-	241,037
Restricted					
Capital projects	127,884	-	1,937,863	-	2,065,747
Public safety	-	-	-	186,600	186,600
Community redevelopment	-	44,662	-	-	44,662
Assigned	-	-	-	225,261	225,261
Unassigned	5,537,406	-	-	-	5,537,406
Total fund balance	5,906,327	44,662	1,937,863	411,861	8,300,713
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,976,965</u>	<u>\$ 45,066</u>	<u>\$ 1,980,556</u>	<u>\$ 411,861</u>	<u>\$ 11,414,448</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, 2021**

Fund balance, total governmental funds		\$ 8,300,713
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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	5,605,029	
Governmental depreciable assets	26,496,934	
Less accumulated depreciation	<u>(21,775,406)</u>	
		10,326,557

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	285,363	
Deferred inflows of resources – OPEB related	(731,361)	
Deferred outflows of resources – pension related	1,785,959	
Deferred inflows of resources – pension related	<u>(886,560)</u>	
		453,401

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

Capital leases	(49,273)	
Compensated absences	(564,393)	
Net OPEB liability	(338,736)	
Net pension liability	<u>(5,462,672)</u>	
		<u>(6,415,074)</u>

Net position of governmental activities		<u><u>\$ 12,665,597</u></u>
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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, 2021**

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	
REVENUES					
Taxes	\$ 2,874,628	\$ -	\$ 210,477	\$ -	\$ 3,085,105
Licenses, fees, permits and assessments	948,687	-	-	-	948,687
Intergovernmental	1,473,612	81,372	1,276,513	-	2,831,497
Charges for services	1,509,948	5,950	-	-	1,515,898
Fines and forfeits	15,219	-	-	226,637	241,856
Miscellaneous	372,206	-	-	140	372,346
Total revenues	<u>7,194,300</u>	<u>87,322</u>	<u>1,486,990</u>	<u>226,777</u>	<u>8,995,389</u>
EXPENDITURES					
Current					
General governmental	3,019,087	-	-	-	3,019,087
Public safety	4,136,151	-	-	128,585	4,264,736
Economic environment	163,140	92,708	-	-	255,848
Transportation	1,056,741	-	-	-	1,056,741
Culture and recreation	1,323,683	-	-	-	1,323,683
Capital outlay	238,123	-	780,827	-	1,018,950
Debt Service					
Principal	48,590	-	-	-	48,590
Interest	2,683	-	-	-	2,683
Total expenditures	<u>9,988,198</u>	<u>92,708</u>	<u>780,827</u>	<u>128,585</u>	<u>10,990,318</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,793,898)</u>	<u>(5,386)</u>	<u>706,163</u>	<u>98,192</u>	<u>(1,994,929)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,303,155	-	85,920	-	3,389,075
Transfers out	-	-	-	(85,920)	(85,920)
Total other financing sources (uses)	<u>3,303,155</u>	<u>-</u>	<u>85,920</u>	<u>(85,920)</u>	<u>3,303,155</u>
NET CHANGE IN FUND BALANCE	<u>509,257</u>	<u>(5,386)</u>	<u>792,083</u>	<u>12,272</u>	<u>1,308,226</u>
FUND BALANCE, BEGINNING	<u>5,397,070</u>	<u>50,048</u>	<u>1,145,780</u>	<u>399,589</u>	<u>6,992,487</u>
FUND BALANCE, ENDING	<u>\$ 5,906,327</u>	<u>\$ 44,662</u>	<u>\$ 1,937,863</u>	<u>\$ 411,861</u>	<u>\$ 8,300,713</u>

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, 2021**

Net change in fund balance – governmental funds \$ 1,308,226

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	1,018,950	
Less current year depreciation	<u>(1,066,061)</u>	(47,111)

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	48,590
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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 OPEB liability and related deferred inflows and outflows of resources related to OPEB	86,879	
Change in net pension liability and related deferred inflows and outflows of resources related to pensions	(156,822)	
Change in long-term compensated absences	<u>20,133</u>	<u>(49,810)</u>

Change in net position of governmental activities	<u><u>\$ 1,259,895</u></u>
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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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 2,708,186	\$ 2,708,186	\$ 2,874,628	\$ 166,442
Licenses, fees, permits & assessments	929,091	929,091	948,687	19,596
Intergovernmental	1,462,739	1,553,580	1,473,612	(79,968)
Charges for services	1,505,918	1,510,908	1,509,948	(960)
Fines and forfeits	27,150	27,150	15,219	(11,931)
Miscellaneous	325,559	338,234	372,206	33,972
Total revenues	6,958,643	7,067,149	7,194,300	127,151
EXPENDITURES				
Current				
General governmental	3,054,750	3,142,250	3,019,087	123,163
Public safety	4,350,423	4,356,439	4,136,151	220,288
Transportation	1,163,989	1,173,989	1,056,741	117,248
Economic environment	168,872	168,872	163,140	5,732
Culture and recreation	1,411,548	1,416,538	1,323,683	92,855
Capital outlay	275,943	370,372	238,123	132,249
Debt service	51,273	51,273	51,273	-
Total expenditures	10,476,798	10,679,733	9,988,198	691,535
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	(3,518,155)	(3,612,584)	(2,793,898)	818,686
OTHER FINANCING SOURCES (USES)				
Transfers in	3,518,155	3,518,155	3,303,155	(215,000)
Total other financing sources	3,518,155	3,518,155	3,303,155	(215,000)
NET CHANGE IN FUND BALANCE	-	(94,429)	509,257	603,686
FUND BALANCE, BEGINNING	-	94,429	5,397,070	5,302,641
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,906,327</u>	<u>\$ 5,906,327</u>

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 81,372	\$ 81,372	\$ 81,372	\$ -
Charges for services	40,500	40,500	5,950	(34,550)
Total revenues	121,872	121,872	87,322	(34,550)
EXPENDITURES				
Current				
Economic environment	160,897	160,897	92,708	68,189
Total expenditures	160,897	160,897	92,708	68,189
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	(39,025)	(39,025)	(5,386)	33,639
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	-	15,000
Total other financing uses	(15,000)	(15,000)	-	15,000
NET CHANGE IN FUND BALANCE	(54,025)	(54,025)	(5,386)	48,639
FUND BALANCE, BEGINNING	54,025	54,025	50,048	(3,977)
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,662</u>	<u>\$ 44,662</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Major Funds				Non-Major Enterprise Funds	Total
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,807,994	\$ 8,062,361	\$ 180,649	\$ 437,694	\$ 721,270	\$ 11,209,968
Receivables, net	338,177	948,342	146,981	61,801	43,118	1,538,419
Due from other governments	-	123,740	-	-	-	123,740
Inventory	132,073	-	-	-	-	132,073
Restricted cash	223,054	7,530,100	-	1,068,073	-	8,821,227
Total current assets	2,501,298	16,664,543	327,630	1,567,568	764,388	21,825,427
Capital assets						
Non-depreciable	5,575	2,925,895	-	450,000	899,754	4,281,224
Depreciable, net	1,066,251	11,902,438	406,959	847,932	25,353	14,248,933
Total capital assets	1,071,826	14,828,333	406,959	1,297,932	925,107	18,530,157
TOTAL ASSETS	3,573,124	31,492,876	734,589	2,865,500	1,689,495	40,355,584
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	34,134	71,000	19,115	-	-	124,249
Pension related	62,968	111,418	26,030	-	-	200,416
TOTAL DEFERRED OUTFLOWS	97,102	182,418	45,145	-	-	324,665
LIABILITIES						
Current liabilities						
Accounts payable	191,942	73,839	38,146	24,775	5,301	334,003
Compensated absences	50,982	53,701	22,369	-	-	127,052
Accrued wages	25,494	44,966	12,759	-	-	83,219
Notes & loans payable	70,830	396,458	-	145,801	-	613,089
Restricted: Customer deposits	223,054	554,913	-	52,521	-	830,488
Total current liabilities	562,302	1,123,877	73,274	223,097	5,301	1,987,851
Non-current liabilities						
Compensated absences	5,320	2,645	710	-	-	8,675
Notes & loans payable	478,686	3,426,737	-	1,768,430	-	5,673,853
Net OPEB	40,519	84,279	22,690	-	-	147,488
Net pension liability	155,296	274,786	64,196	-	-	494,278
Total non-current liabilities	679,821	3,788,447	87,596	1,768,430	-	6,324,294
TOTAL LIABILITIES	1,242,123	4,912,324	160,870	1,991,527	5,301	8,312,145
DEFERRED INFLOWS OF RESOURCES						
OPEB related	87,483	181,966	48,991	-	-	318,440
Pension related	13,522	23,926	5,590	-	-	43,038
TOTAL DEFERRED INFLOWS	101,005	205,892	54,581	-	-	361,478
NET POSITION						
Net investment in capital assets	522,310	11,005,138	406,959	(616,299)	925,107	12,243,215
Restricted: Debt service	-	-	-	1,068,073	-	1,068,073
Restricted: Capital projects	-	7,530,100	-	-	-	7,530,100
Unrestricted	1,804,788	8,021,840	157,324	422,199	759,087	11,165,238
TOTAL NET POSITION	\$ 2,327,098	\$ 26,557,078	\$ 564,283	\$ 873,973	\$ 1,684,194	\$ 32,006,626

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, 2021**

	Major Funds					Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	
OPERATING REVENUES						
Charges for services	\$ 4,255,090	\$ 7,882,948	\$ 1,513,686	\$ 836,993	\$ 276,351	\$ 14,765,068
OPERATING EXPENSES						
Personal services	735,208	1,488,778	444,118	-	-	2,668,104
Operating	2,240,184	2,348,615	1,127,471	204,024	160,313	6,080,607
Depreciation	155,290	1,794,710	107,757	297,426	25,672	2,380,855
Total operating expenses	3,130,682	5,632,103	1,679,346	501,450	185,985	11,129,566
OPERATING INCOME (LOSS)	1,124,408	2,250,845	(165,660)	335,543	90,366	3,635,502
NON-OPERATING REVENUES (EXPENSES)						
Interest expense	(21,089)	(109,930)	-	(67,807)	-	(198,826)
Interest income	64	1,908	-	4	106	2,082
Grant income	13,010	163,511	402,945	-	-	579,466
Gain on disposal of asset	-	-	8,675	-	0	8,675
Miscellaneous	18,113	135,424	437	-	(49)	153,925
Total non-operating revenues (expenses)	10,098	190,913	412,057	(67,803)	57	545,322
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,134,506	2,441,758	246,397	267,740	90,423	4,180,824
Capital contributions	-	1,763,912	-	-	-	1,763,912
Transfers out	(967,707)	(2,335,448)	-	-	-	(3,303,155)
Total transfers and capital contributions	(967,707)	(571,536)	-	-	-	(1,539,243)
CHANGE IN NET POSITION	166,799	1,870,222	246,397	267,740	90,423	2,641,581
NET POSITION AT BEGINNING OF YEAR	2,160,299	24,686,856	317,886	606,233	1,593,771	29,365,045
NET POSITION AT END OF YEAR	\$ 2,327,098	\$ 26,557,078	\$ 564,283	\$ 873,973	\$ 1,684,194	\$ 32,006,626

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Major Funds				Non-Major Enterprise Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/users	\$ 4,200,730	\$ 7,784,974	\$ 1,487,150	\$ 836,107	\$ 271,544	\$ 14,580,505
Payments to suppliers	(2,261,283)	(2,328,798)	(1,151,485)	(181,775)	(155,431)	(6,078,772)
Payments to employees	(706,714)	(1,527,495)	(451,446)	-	-	(2,685,655)
Gain on disposal of asset	-	-	8,675	-	-	8,675
Miscellaneous income	18,113	135,424	437	-	(49)	153,925
Net cash provided by (used in) operating activities	1,250,846	4,064,105	(106,669)	654,332	116,064	5,978,678
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Interfund activity	(90,000)	90,000	(125,000)	125,000	-	-
Intergovernmental grant revenues	13,010	163,511	402,947	-	-	579,468
Transfers out	(967,707)	(2,335,448)	-	-	-	(3,303,155)
Net cash provided by (used in) non-capital financing activities	(1,044,697)	(2,081,937)	277,947	125,000	-	(2,723,687)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisitions of capital assets	(75,145)	(942,221)	-	(451,929)	-	(1,469,295)
Capital contributions and grants	-	1,763,912	-	-	-	1,763,912
Principal paid on long-term debt	(68,495)	(385,928)	-	(143,475)	-	(597,898)
Interest paid on long-term debt	(21,089)	(109,930)	-	(67,807)	-	(198,826)
Net cash provided by (used in) capital and related financing activities	(164,729)	325,833	-	(663,211)	-	(502,107)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	64	1,908	-	5	106	2,083
NET INCREASE	41,484	2,309,909	171,278	116,126	116,170	2,754,967
CASH AND CASH EQUIVALENTS:						
AT BEGINNING OF YEAR	1,989,564	13,282,552	9,371	1,389,641	605,100	17,276,228
AT END OF YEAR	\$ 2,031,048	\$ 15,592,461	\$ 180,649	\$ 1,505,767	\$ 721,270	\$ 20,031,195
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:						
Current assets	\$ 1,807,994	\$ 8,062,361	\$ 180,649	\$ 437,694	\$ 721,270	\$ 11,209,968
Restricted assets	223,054	7,530,100	-	1,068,073	-	8,821,227
Total cash and cash equivalents	\$ 2,031,048	\$ 15,592,461	\$ 180,649	\$ 1,505,767	\$ 721,270	\$ 20,031,195

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Major Funds</u>				Non-Major Enterprise Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
RECONCILIATION OF OPERATING INCOME (LOSS)						
TO NET CASH PROVIDED BY (USED IN)						
OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,124,408	\$ 2,250,845	\$ (165,660)	\$ 335,543	\$ 90,366	\$ 3,635,502
Adjustments to reconcile						
operating income (loss) to net cash						
provided by (used in) operating activities:						
Depreciation	155,290	1,794,710	107,757	297,426	25,672	2,380,855
Gain (loss) on disposal of asset	-	-	8,675	-	-	8,675
Miscellaneous revenue	18,113	135,424	437	-	(49)	153,925
Decrease (increase) in assets:						
Accounts receivable	(68,992)	(9,870)	(31,956)	(2,585)	(4,807)	(118,210)
Due from other governments	9,909	(118,878)	5,420	-	-	(103,549)
Inventory	(24,650)	-	-	-	-	(24,650)
Decrease in deferred outflows	4,773	101,282	7,169	-	-	113,224
(Decrease) increase in liabilities						
Accounts payable	3,551	19,817	(24,014)	22,249	4,882	26,485
Compensated absences payable	(2,072)	(5,143)	(10,258)	-	-	(17,473)
Wages	3,995	7,513	(616)	-	-	10,892
Customer deposits	4,723	30,774	-	1,699	-	37,196
Unearned revenue	-	-	-	-	-	-
Net pension liability	26,676	(111,272)	12,561	-	-	(72,035)
Net OPEB liability	(28,874)	(60,057)	(16,170)	-	-	(105,101)
(Decrease) increase in deferred inflows	23,996	28,960	(14)	-	-	52,942
Net cash provided by						
(used in) operating activities	<u>\$ 1,250,846</u>	<u>\$ 4,064,105</u>	<u>\$ (106,669)</u>	<u>\$ 654,332</u>	<u>\$ 116,064</u>	<u>\$ 5,978,678</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021**

	<u>Pension Trust Funds</u>	<u>Retired Employees' Insurance Trust Fund</u>
ASSETS		
Investments, at fair value	<u>\$ 34,151,713</u>	<u>\$ 3,930,471</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>8,270</u>
NET POSITION		
Held in trust for pension and OPEB	<u><u>\$ 34,151,713</u></u>	<u><u>\$ 3,922,201</u></u>

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, 2021**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ADDITIONS		
Contributions		
Employer	\$ 1,155,133	\$ 107,877
Plan members	455,819	-
State of Florida	178,506	-
Total contributions	<u>1,789,458</u>	<u>107,877</u>
Investment income	5,863,334	783,694
Less investment expense	<u>(313,904)</u>	<u>-</u>
	<u>5,549,430</u>	<u>783,694</u>
TOTAL ADDITIONS	7,338,888	891,571
DEDUCTIONS		
Benefits and refunds paid		
Retirement payments	2,827,267	8,465
Insurance premiums	-	1,364
Total benefits and refunds paid	<u>2,827,267</u>	<u>9,829</u>
Administrative expenses – other	<u>6,151</u>	<u>35,297</u>
TOTAL DEDUCTIONS	<u>2,833,418</u>	<u>45,126</u>
NET CHANGE IN NET POSITION	4,505,470	846,445
NET POSITION, BEGINNING	<u>29,646,243</u>	<u>3,075,756</u>
NET POSITION, ENDING	<u>\$ 34,151,713</u>	<u>\$ 3,922,201</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 Councilmember 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, 2021**

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, 2021**

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, 2021**

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, 2021**

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 Fund Balance

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, 2021**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – 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 for 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, 2021**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – 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, 2021**

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – 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 (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, 2021

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance – Continued

Compensated Absences – 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, 2021, 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, 2021, the City has deferred inflows of resources related to pensions and OPEB.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund
Balance – 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, 2021**

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, 2021**

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, 2021, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and therefore, have no custodial credit risk.

Investments – Fiduciary Funds

As of September 30, 2021, 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, 2021**

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, 2021, 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	\$ 3,784,155	\$ 60,546	\$ 1,905,454	\$ 1,216,696	\$ 601,459
U.S. Government obligations	218,037	-	28,362	60,175	129,500
Municipal obligations	119,398	-	41,516	-	77,882
Mortgage backed securities	959,274	26	225,874	298,870	434,504
	\$ 5,080,864	\$ 60,572	\$ 2,201,206	\$ 1,575,741	\$ 1,243,345
Investments not subject to interest-rate risk	33,001,320				
Total	\$ 38,082,184				

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Fiduciary Funds – Continued

Credit 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, 2021.

Concentration of 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 follows:

- 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	\$ 19,751,579	\$ 19,727,183	\$ 24,396	\$ -
Corporate bonds	3,784,155	-	3,707,856	76,299
U.S. Government Obligations	218,037	-	218,037	-
Municipal obligations	119,398	-	119,398	-
Mortgage backed securities	959,274	-	959,274	-
Common stock	13,249,741	13,249,741	-	-
Total investments	<u>\$ 38,082,184</u>	<u>\$ 32,976,924</u>	<u>\$ 5,028,961</u>	<u>\$ 76,299</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

4. RECEIVABLES

Receivables at September 30, 2021, 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	\$ 143,951	\$ -	\$ 3,497	\$ -	\$ -	\$ -	\$ -	\$ 147,448
Accounts, less allowance for doubtful accounts	4,382	-	334,680	948,342	146,981	61,801	43,118	1,539,304
Other	-	1,397				-	-	1,397
	<u>\$ 148,333</u>	<u>\$ 1,397</u>	<u>\$ 338,177</u>	<u>\$ 948,342</u>	<u>\$ 146,981</u>	<u>\$ 61,801</u>	<u>\$ 43,118</u>	<u>\$ 1,688,149</u>

As of September 30, 2021, 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 and business-type activities as of September 30, 2021, are \$633,636 and \$123,740. 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, 2021**

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 3,240,182	\$ -	\$ -	\$ 3,240,182
Construction in progress	1,538,423	826,424	-	2,364,847
Total capital assets not being depreciated	4,778,605	826,424	-	5,605,029
Capital assets being depreciated:				
Buildings	9,611,671	31,719	-	9,643,390
Improvements other than buildings	11,084,067	26,937	-	11,111,004
Machinery and equipment	5,608,670	133,870	-	5,742,540
Total capital assets being depreciated	26,304,408	192,526	-	26,496,934
Less accumulated depreciation:				
Buildings	(8,478,084)	(195,368)	-	(8,673,452)
Improvements other than buildings	(7,430,656)	(609,246)	-	(8,039,902)
Machinery and equipment	(4,800,605)	(261,447)	-	(5,062,052)
Total accumulated depreciation	(20,709,345)	(1,066,061)	-	(21,775,406)
Total capital assets being depreciated, net	5,595,063	(873,535)	-	4,721,528
Governmental activities, net	<u>\$ 10,373,668</u>	<u>\$ (47,111)</u>	<u>\$ -</u>	<u>\$ 10,326,557</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,073,027	\$ -	\$ -	\$ 1,073,027
Construction in progress	2,800,180	680,705	(272,688)	3,208,197
Total capital assets not being depreciated	3,873,207	680,705	(272,688)	4,281,224
Capital assets being depreciated:				
Buildings	86,000	-	(60,000)	26,000
Improvements other than buildings	52,803,992	337,160	272,188	53,413,340
Machinery and equipment	4,025,335	451,427	(539,026)	3,937,736
Total capital assets being depreciated	56,915,327	788,587	(326,838)	57,377,076
Less accumulated depreciation:				
Buildings	(80,500)	(5,500)	60,000	(26,000)
Improvements other than buildings	(38,768,293)	(2,152,011)	160,371	(40,759,933)
Machinery and equipment	(2,498,021)	(223,344)	379,155	(2,342,210)
Total accumulated depreciation	(41,346,814)	(2,380,855)	599,526	(43,128,143)
Total capital assets being depreciated, net	15,568,513	(1,592,268)	272,688	14,248,933
Business-type activities, net	<u>\$ 19,441,720</u>	<u>\$ (911,563)</u>	<u>\$ -</u>	<u>\$ 18,530,157</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

5. CAPITAL ASSETS – CONTINUED

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

Governmental activities

General government	\$ 634,233
Public safety	183,790
Transportation	223,934
Culture and recreation	24,104
	<hr/>
Total depreciation expense – governmental activities	<u>\$ 1,066,061</u>

Business-type activities

Natural gas	\$ 155,290
Water and sewer	1,794,710
Sanitation	107,757
Sundial utilities	297,426
Non-major	25,672
	<hr/>
Total depreciation expense – business-type activities	<u>\$ 2,380,855</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
SEPTEMBER 30, 2021**

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, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	49
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	<u>64</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.

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 \$319,758 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2021 was 17.01% of payroll.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2020, 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, 2019, updated to September 30, 2020 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 most recent actuarial experience study used to review the other significant assumptions was dated August 23, 2018.

Mortality Rate Healthy Active Lives:

Female: PubG.H-2010 (Below Median) for Employees.

Male: PubG.H-2010 (Below Median) for Employees, set back one year.

Mortality Rate Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees’ Retirement Plan (GERP) – Continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting Period Ending September 30, 2020	\$ 16,347,376	\$ 14,347,073	\$ 2,000,303
Changes:			
Service cost	363,386	-	363,386
Interest	1,244,701	-	1,244,701
Differences between projected and actual experience	98	-	98
Change of assumptions	(16,276)	-	(16,276)
Change of benefit terms	604,871		604,871
Contributions – employer	-	493,709	(493,709)
Contributions – employee	-	275,815	(275,815)
Net investment income	-	1,195,781	(1,195,781)
Benefit payments, including refunds of employee contributions	(1,439,227)	(1,439,227)	-
Administrative expenses	-	(56,174)	56,174
Net changes	<u>757,553</u>	<u>469,904</u>	<u>287,649</u>
Reporting Period Ending September 30, 2021	<u>\$ 17,104,929</u>	<u>\$ 14,816,977</u>	<u>\$ 2,287,952</u>

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

	Current Discount		
	1% Decrease 6.50%	Rate 7.50%	1% Increase 8.50%
Sponsor's Net Pension Liability (Asset)	\$ 4,054,929	\$ 2,287,952	\$ 788,408

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, the City recognized pension expense of \$1,013,337. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 524,068	\$ -
Differences between Expected and Actual Experience	-	199,216
Changes in assumptions	246,200	-
Net difference between Projected and Actual Earnings on Pension Plan investments	157,430	-
Total	\$ 927,698	\$ 199,216

Deferred outflows of resources related to pensions of \$524,068, 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, 2022. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended			
<u>September 30:</u>			
2022		\$	76,422
2023			72,222
2024			120,298
2025			(64,528)
2026			-
		\$	204,414

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
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

Plan Description – Continued

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	15
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	17
Total	35

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.

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 2021, employees contributed \$72,448 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 2021, the State contributed \$96,437 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2021 was 12.8% of payroll.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2020, 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, 2019 updated to September 30, 2020, 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
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

Net Pension Liability of the Sponsor – Actuarial Assumptions – Continued

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

The most recent actuarial experience study used to review the other significant assumptions was dated November 29, 2018.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	50%	7.50%
International Equity	10%	8.50%
Domestic Fixed Income	30%	2.50%
Real Estate	10%	4.50%
Total	100%	

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, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting period ending September 30, 2020	\$ 8,289,329	\$ 8,300,345	\$ (11,016)
Changes:			
Service cost	209,596	-	209,596
Interest	620,470	-	620,470
Difference between projected and actual experience	366,667	-	366,667
Changes of assumptions	(204,532)	-	(204,532)
Contributions – employer	-	83,749	(83,749)
Contributions – state	-	97,973	(97,973)
Contributions – employee	-	67,675	(67,675)
Net investment income	-	826,186	(826,186)
Benefit payments, including			
Refunds of employee contributions	(346,884)	(346,884)	-
Administrative expenses	-	(45,116)	45,116
Net changes	<u>645,317</u>	<u>683,583</u>	<u>(38,266)</u>
Reporting period ending September 30, 2021	<u>\$ 8,934,646</u>	<u>\$ 8,983,928</u>	<u>\$ (49,282)</u>

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

	1% Decrease	Current Discount	1% Increase
	6.50%	Rate	8.50%
Sponsor's Net Pension Liability (Asset)	\$ 888,918	\$ (49,282)	\$ (830,752)

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

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

For the year ended September 30, 2021, the City recognized pension expense of \$65,895. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 212,354	\$ -
Differences between Expected and Actual Experience	-	14,957
Net difference between Projected and Actual Earnings on Pension Plan investments	30,729	-
Changes of assumptions	-	136,354
Total	\$ 243,083	\$ 151,311

Deferred outflows of resources related to pensions of \$212,354 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, 2022. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended	
<u>September 30:</u>	
2022	\$ (181,153)
2023	70,845
2024	31,528
2025	(41,802)
2026	-
	\$ (120,582)

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Firefighters' Retirement Plan (FRP)

Plan Description

The Firefighters' 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, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	<u>17</u>
Total	<u><u>31</u></u>

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 2021, employees contributed \$63,613 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 2021, the State contributed \$82,069 to the Plan. The City is required to contribute at an actuarially determined rate; the contribution rate for 2021 was 49.6% of payroll.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019, updated to September 30, 2020, using the following actuarial assumptions applied to all measurement periods.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Firefighters’ Retirement Plan (FRP) – Continued

Actuarial Assumptions – Continued

Inflation	2.50%
Salary increases	Service based
Discount rate	7.75%
Investment rate of return	7.75%

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

The most recent actuarial experience study used to review the other significant assumptions was dated February 27, 2020.

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.50%
International Equity	15%	8.50%
Domestic Bonds	40%	2.50%
Total	100%	

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Firefighters’ 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting period ending September 30, 2020	\$ 9,632,441	\$ 5,436,394	\$ 4,196,047
Changes:			
Service cost	172,898	-	172,898
Interest	742,067	-	742,067
Difference between projected and actual earnings	196,366	-	-
Change of assumptions	(600,796)	-	(600,796)
Contributions – employer	-	425,560	(425,560)
Contributions – state	-	70,686	(70,686)
Contributions – employee	-	62,755	(62,755)
Net investment income	-	461,216	(461,216)
Benefit payments, including			
Refunds of employee contributions	(459,630)	(459,630)	-
Administrative expenses	-	(31,915)	31,915
Net changes	<u>50,905</u>	<u>528,672</u>	<u>(477,767)</u>
Reporting period ending September 30, 2021	<u>\$ 9,683,346</u>	<u>\$ 5,965,066</u>	<u>\$ 3,718,280</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Firefighters' Retirement Plan (FRP) – Continued

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

	<u>1% Decrease 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
Sponsor's Net Pension Liability (Asset)	\$ 4,818,987	\$ 3,718,280	\$ 2,787,697

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, 2021, the City recognized pension expense of \$410,838. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City Contributions Subsequent to the Measurement Date	\$ 568,841	\$ -
Changes of assumptions	-	500,665
Net difference between Projected and Actual Earnings on Pension Plan investments	-	78,406
Differences between Expected and Actual Experience	<u>246,753</u>	<u>-</u>
Total	<u>\$ 815,594</u>	<u>\$ 579,071</u>

Deferred outflows of resources related to pensions of \$568,841 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Firefighters' Retirement Plan (FRP) – Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – 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:

Year ended		
<u>September 30:</u>		
2022	\$	(77,537)
2023		(56,224)
2024		(56,291)
2025		(74,861)
2026		(67,405)
	<u>\$</u>	<u>(332,318)</u>

Combined Plan Reporting

Aggregate pension expense for all plans was \$1,490,110 for fiscal year 2021. Below is a combined summary of the deferred inflows, outflows and changes in net pension liability:

	Deferred Outflows of Resources	Deferred Inflows of Resources
General Employees' Retirement Plan	\$ 927,698	\$ 199,216
Police Officers' Retirement Plan	243,083	151,311
Fire Fighters' Retirement Plan	815,594	579,071
Total	<u>\$ 1,986,375</u>	<u>\$ 929,598</u>

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
General Employees' Retirement Plan	\$ 17,104,929	\$ 14,816,977	\$ 2,287,952
Police Officers' Retirement Plan	8,934,646	8,983,928	(49,282)
Firefighters' Retirement Plan	9,683,346	5,965,066	3,718,280
Balances at September 30, 2021	<u>\$ 35,722,921</u>	<u>\$ 29,765,971</u>	<u>\$ 5,956,950</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021.

COMBINING STATEMENT OF PLAN NET POSITION AND CHANGES IN PLAN NET POSITION

	<u>Employee Retirement Funds</u>			<u>Total Employee Retirement Plans</u>
	<u>General Employees' Retirement Plan</u>	<u>Police Officers' Retirement Plan</u>	<u>Firefighters' Retirement Plan</u>	
ASSETS				
Investments, at fair value	\$ 16,855,542	\$ 10,363,906	\$ 6,932,265	\$ 34,151,713
TOTAL ASSETS	<u>\$ 16,855,542</u>	<u>\$ 10,363,906</u>	<u>\$ 6,932,265</u>	<u>\$ 34,151,713</u>
FIDUCIARY NET POSITION	<u>\$ 16,855,542</u>	<u>\$ 10,363,906</u>	<u>\$ 6,932,265</u>	<u>\$ 34,151,713</u>
ADDITIONS				
Contributions				
Employer	\$ 544,931	\$ 115,914	\$ 494,288	\$ 1,155,133
Plan members	319,758	72,448	63,613	455,819
State of Florida	-	96,437	82,069	178,506
Total contributions	864,689	284,799	639,970	1,789,458
Investment income	2,965,286	2,014,309	883,739	5,863,334
Less investment expense	(135,760)	(101,085)	(77,059)	(313,904)
Net investment income	2,829,526	1,913,224	806,680	5,549,430
TOTAL ADDITIONS	<u>3,694,215</u>	<u>2,198,023</u>	<u>1,446,650</u>	<u>7,338,888</u>
DEDUCTIONS				
Benefits paid and administrative costs	1,586,670	795,202	451,546	2,833,418
NET CHANGE	2,107,545	1,402,821	995,104	4,505,470
FIDUCIARY NET POSITION, BEGINNING	<u>14,747,997</u>	<u>8,961,085</u>	<u>5,937,161</u>	<u>29,646,243</u>
FIDUCIARY NET POSITION, ENDING	<u>\$ 16,855,542</u>	<u>\$ 10,363,906</u>	<u>\$ 6,932,265</u>	<u>\$ 34,151,713</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 \$1,069,825 as of September 30, 2021. Contributions and distributions made during the fiscal year ended September 30, 2021, were \$140,913 and \$166,054, respectively. The Plan had net earnings of \$151,847.

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, 2021**

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 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Capital leases	\$ 97,863	\$ -	\$ (48,590)	\$ 49,273	\$ 49,273
Compensated absences	584,526	259,360	(279,493)	564,393	481,027
Total governmental activities	<u>\$ 682,389</u>	<u>\$ 259,360</u>	<u>\$ (328,083)</u>	<u>\$ 613,666</u>	<u>\$ 530,300</u>
Business-type activities					
<u>Natural Gas</u>					
Note payable	\$ 618,000	\$ -	\$ (68,484)	\$ 549,516	\$ 70,830
<u>Water and Sewer</u>					
Note payable	1,098,685	-	(121,767)	976,918	125,920
State revolving loans payable	3,110,438	-	(264,161)	2,846,277	270,538
<u>Sundial</u>					
Revenue note payable	2,057,706	-	(143,475)	1,914,231	145,801
<u>Accumulated, vested annual compensation for Proprietary Funds</u>					
Compensated absences	153,200	86,591	(104,064)	135,727	127,052
Total business-type activities	<u>\$ 7,038,029</u>	<u>\$ 86,591</u>	<u>\$ (701,951)</u>	<u>\$ 6,422,669</u>	<u>\$ 740,141</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, 2021**

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
SEPTEMBER 30, 2021**

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, 2021, are as follows:

Governmental Activities

Year Ending September 30	Capital Lease	
	Principal	Interest
2022	\$ 49,273	\$ 1,359
Total	<u>\$ 49,273</u>	<u>\$ 1,359</u>

Business-Type Activities

Year Ending September 30	State Revolving Loans		Revenue Notes Payable	
	Principal	Interest	Principal	Interest
2022	\$ 270,538	\$ 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	290,610	46,013	153,002	48,429
2026	297,628	38,994	155,481	43,387
2027	226,886	31,805	157,999	38,264
2028-2032	804,159	99,461	829,230	111,639
2033-2035	395,630	13,302	173,992	5,733
Total	<u>\$ 2,846,277</u>	<u>\$ 408,079</u>	<u>\$ 1,914,231</u>	<u>\$ 422,337</u>

Year Ending September 30	Note payable	
	Principal	Interest
2022	\$ 196,750	\$ 51,649
2023	203,742	44,986
2024	210,630	38,097
2025	217,752	30,978
2026	225,114	23,614
2027	232,725	16,003
2028	239,721	8,134
Total	<u>\$ 1,526,434</u>	<u>\$ 213,461</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. CAPITAL CONTRIBUTIONS

For the year ended September 30, 2021, the Water and Sewer Fund had \$1,763,912 of capital contributions related to impact fees and capital grant funding for engineering fees associated with the planned new wastewater treatment plan.

11. UNEARNED REVENUE

At the end of the current fiscal year, approximately \$2,630,000 of unearned revenue was related to advanced funding from the American Rescue Plan Act (ARPA). The ARPA grant documents do not require the unspent funds to be held in a separate bank account and since the revenue is not earned it is not a component of net position at either the fund or government wide level. Since the terms of the grant require the funds to be expended within a set number of years and since unspent grant funds are not normally considered restricted assets of the governmental unit we do not consider presentation of the unspent proceeds as restricted assets necessary at September 30, 2021.

12. INTERFUND BALANCES

The composition of interfund balances as of September 30, 2021, is as follows:

Transfers Out	Transfers In		Total
	Governmental Activities		
	General	Capital Projects	
Non-Major Governmental	\$ -	\$ 85,920	\$ 85,920
Natural Gas	967,707	-	967,707
Water and Sewer	2,335,448	-	2,335,448
Total	\$ 3,303,155	\$ 85,920	\$ 3,389,075

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

13. 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, 2021**

13. 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, 2020:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	42
Active Plan Members	136
Total	178

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, 2021:

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, 2021**

13. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

Net OPEB Liability

The City's Net OPEB Liability was measured as of September 30, 2020. The OPEB Liability used to calculate the OPEB Liability was determined as of that date using a roll-forward of the October 1, 2019 valuation results at a discount rate of 7.50%.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Reporting Period Ending September 30, 2020	\$ 3,710,103	\$ 2,877,394	\$ 832,709
Changes:			
Service cost	166,554	-	166,554
Interest	286,276	-	286,276
Differences from Experience	(9,163)		(9,163)
Changes of Assumptions	(488,945)		(488,945)
Explicit contributions - employer	-	211,416	(211,416)
Implicit contributions - employer	-	76,110	(76,110)
Net investment income	-	51,086	(51,086)
Explicit benefit payments	(26,734)	(26,734)	-
Implicit benefit payments	(76,110)	(76,110)	-
Administrative expenses	-	(37,405)	37,405
Net changes	(148,122)	198,363	(346,485)
Reporting Period Ending September 30, 2021	<u>\$ 3,561,981</u>	<u>\$ 3,075,757</u>	<u>\$ 486,224</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

13. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

Actuarial Assumptions

The OPEB Liability was determined by an actuarial valuation as of October 1, 2019, using the following actuarial assumptions:

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

Mortality

All mortality rates were based on the Pub-2010 mortality tables. All mortality rates are those outlined in Milliman’s July 1, 2019 Florida Retirement System (FRS) valuation report with appropriate adjustments made based on plan demographics. All tables include fully generational adjustments for mortality improvements using gender-specific improvement scale MP-2018.

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%.

	1% Decrease	Current Discount	1% Increase
	6.50%	Rate	8.50%
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Net OPEB Liability	\$ 1,059,734	\$ 486,224	\$ 27,483

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:

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:

	Healthcare Cost Trend		
	1% Decrease	Rate	1% Increase
	3.00%-6.50%	4.00%-7.50%	5.00%-8.50%
	<u>3.00%-6.50%</u>	<u>4.00%-7.50%</u>	<u>5.00%-8.50%</u>
Net OPEB Liability (Asset)	\$ (22,507)	\$ 486,224	\$ 1,133,218

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

13. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

For the year ended September 30, 2021, the City will recognize OPEB Expense of \$98,387. On September 30, 2021, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 223,093	\$ -
Changes of assumptions	-	807,812
Net difference between Projected and Actual Earnings on Pension Plan investments	186,519	-
Differences between Expected and Actual Experience	-	241,989
Total	\$ 409,612	\$ 1,049,801

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:

2022	\$ (170,519)
2023	(156,473)
2024	(151,395)
2025	(176,237)
2026	(84,132)
Thereafter	(124,526)
	\$ (863,282)

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

14. 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.

15. SUBSEQUENT EVENT

In December, the City entered into a capital lease agreement for a new fire truck engine with a total financed value of \$657,450 to be paid in five installments of \$139,890. The first payment is due January 2023.

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 Measurement Date	9/30/21 9/30/20	9/30/20 9/30/19	9/30/19 9/30/18	9/30/18 9/30/17	9/30/17 9/30/16	9/30/16 9/30/15
Total Pension Liability						
Service cost	\$ 363,386	\$ 333,095	\$ 327,894	\$ 313,360	\$ 318,891	\$ 300,174
Interest	1,244,701	1,202,029	1,228,908	1,203,306	1,131,940	1,107,941
Differences between expected and actual expe	98	(191,391)	2,178	(198,798)	(39,135)	(64,838)
Changes of benefit terms	604,871	-	-	-	-	-
Changes of assumptions	(16,276)	-	368,084	-	444,060	-
Benefit payments, including refunds of employee contributions	(1,439,227)	(1,380,625)	(1,152,516)	(872,230)	(1,044,056)	(1,079,979)
Net change in total pension liability	757,553	(36,892)	774,548	445,638	811,700	263,298
Total pension liability – beginning	16,347,376	16,384,268	15,609,720	15,164,082	14,352,382	14,089,084
Total pension liability – ending (a)	\$ 17,104,929	\$ 16,347,376	\$ 16,384,268	\$ 15,609,720	\$ 15,164,082	\$ 14,352,382
Plan Fiduciary Net Position						
Contributions – employer	\$ 493,709	\$ 598,201	\$ 500,108	\$ 410,250	\$ 538,937	\$ 463,611
Contributions – member	275,815	261,223	227,322	212,565	229,488	211,695
Net investment income	1,195,781	449,252	1,160,753	1,332,803	938,420	173,587
Benefit payments, including refunds of employee contributions	(1,439,227)	(1,380,625)	(1,152,516)	(872,230)	(1,044,056)	(1,079,979)
Administrative expenses	(56,174)	(78,721)	(51,942)	(51,168)	(51,481)	(33,097)
Net change in plan fiduciary net position	469,904	(150,670)	683,725	1,032,220	611,308	(264,183)
Plan fiduciary net position – beginning	14,347,073	14,497,743	13,814,018	12,781,798	12,170,490	12,435,483
Plan fiduciary net position – ending (b)	\$ 14,816,977	\$ 14,347,073	\$ 14,497,743	\$ 13,814,018	\$ 12,781,798	\$ 12,171,300
Net pension liability – ending (a)-(b)	\$ 2,287,952	\$ 2,000,303	\$ 1,886,525	\$ 1,795,702	\$ 2,382,284	\$ 2,181,082
Plan fiduciary net position as a percentage of the total pension liability	86.62%	87.76%	88.49%	88.50%	84.29%	84.80%
Covered payroll	\$ 2,758,152	\$ 2,612,232	\$ 2,273,218	\$ 2,125,652	\$ 2,294,878	\$ 2,534,951
Net pension liability as a percentage of covered payroll	82.95%	76.57%	82.99%	84.48%	103.81%	86.04%

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 Measurement Date	9/30/21 9/30/20	9/30/20 9/30/19	9/30/19 9/30/18	9/30/18 9/30/17	9/30/17 9/30/16	9/30/16 9/30/15
Total Pension Liability						
Service cost	\$ 209,596	\$ 159,912	\$ 179,528	\$ 193,067	\$ 179,035	\$ 188,061
Interest	620,470	632,386	628,999	581,666	527,269	516,585
Differences between expected and actual experier	366,667	(641,146)	(329,756)	197,192	75,137	(185,417)
Changes of assumptions^	(204,532)	-	489,638	265,465	-	(44,471)
Benefit payments, including refunds of employee contributions	(346,884)	(372,550)	(386,395)	(347,056)	(414,900)	(249,463)
Net change in total pension liability	645,317	(221,398)	582,014	890,334	366,541	225,295
Total pension liability – beginning	8,289,329	8,510,727	7,928,713	7,038,379	6,671,838	6,446,543
Total pension liability – ending (a)	<u>\$ 8,934,646</u>	<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>
Plan Fiduciary Net Position						
Contributions – employer	\$ 83,749	\$ 66,621	\$ 64,599	\$ 76,619	\$ 82,582	\$ 92,468
Contributions – state	97,973	92,349	90,590	90,756	89,139	80,630
Contributions – member	67,675	62,702	60,092	65,909	64,142	60,142
Net investment income	826,186	245,295	688,375	760,325	525,026	82,306
Benefit payments, including refunds of employee contributions	(346,884)	(372,550)	(386,395)	(347,056)	(414,900)	(249,463)
Administrative expenses	(45,116)	(57,526)	(47,116)	(42,971)	(45,128)	(43,647)
Net change in plan fiduciary net position	683,583	36,891	470,145	603,582	300,861	22,436
Plan fiduciary net position – beginning	8,300,345	8,263,454	7,793,309	7,189,727	6,888,866	6,866,530
Plan fiduciary net position – ending (b)	<u>\$ 8,983,928</u>	<u>\$ 8,300,345</u>	<u>\$ 8,263,454</u>	<u>\$ 7,793,309</u>	<u>\$ 7,189,727</u>	<u>\$ 6,888,966</u>
Net pension liability (asset) – ending (a)-(b)	<u>\$ (49,282)</u>	<u>\$ (11,016)</u>	<u>\$ 247,273</u>	<u>\$ 135,404</u>	<u>\$ (151,348)</u>	<u>\$ (217,128)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.55%	100.13%	97.09%	98.29%	102.15%	103.25%
Covered employee payroll	\$ 845,939	\$ 783,772	\$ 751,149	\$ 823,863	\$ 801,776	\$ 892,823
Net pension liability (asset) as a percentage of covered employee payroll	-5.83%	-1.41%	32.92%	16.44%	-18.88%	-24.32%

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 Measurement Date	9/30/21 9/30/20	9/30/20 9/30/19	9/30/19 9/30/18	9/30/18 9/30/17	9/30/17 9/30/16	9/30/16 9/30/15
Total Pension Liability						
Service cost	\$ 172,898	\$ 158,852	\$ 152,457	\$ 138,442	\$ 120,267	\$ 112,024
Interest	742,067	699,358	661,185	617,110	584,392	567,389
Differences between expected and actual experienc	196,366	118,836	94,780	220,939	64,117	105,996
Changes of benefit terms	-	(461)	-	-	239,044	-
Changes of assumptions	(600,796)	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(459,630)	(420,388)	(423,214)	(420,388)	(787,258)	(361,274)
Net change in total pension liability	50,905	556,197	485,208	556,103	220,562	424,135
Total pension liability – beginning	9,632,441	9,076,244	8,591,036	8,034,933	7,814,371	7,390,236
Total pension liability – ending (a)	\$ 9,683,346	\$ 9,632,441	\$ 9,076,244	\$ 8,591,036	\$ 8,034,933	\$ 7,814,371
Plan Fiduciary Net Position						
Contributions – employer	\$ 425,560	\$ 415,047	\$ 383,565	\$ 388,046	\$ 349,105	\$ 272,667
Contributions – state	70,686	71,083	75,115	77,460	81,560	77,020
Contributions – employee	62,755	61,550	56,922	54,714	50,925	44,832
Net investment income	461,216	301,313	497,296	527,323	414,969	(202,680)
Benefit payments, including refunds of employee contributions	(459,630)	(420,388)	(423,214)	(420,388)	(787,258)	(361,274)
Administrative expenses	(31,915)	(29,080)	(21,918)	(17,120)	(24,768)	(30,222)
Net change in plan fiduciary net position	528,672	399,525	567,766	610,035	84,533	(199,657)
Plan fiduciary net position – beginning	5,436,394	5,036,869	4,469,103	3,859,068	3,774,535	4,074,192
Plan fiduciary net position – ending (b)	\$ 5,965,066	\$ 5,436,394	\$ 5,036,869	\$ 4,469,103	\$ 3,859,068	\$ 3,874,535
Net pension liability – ending (a)-(b)	\$ 3,718,280	\$ 4,196,047	\$ 4,039,375	\$ 4,121,933	\$ 4,175,865	\$ 3,939,836
Plan fiduciary net position as a percentage of the total pension liability	61.60%	56.44%	55.50%	52.02%	48.03%	49.58%
Covered employee payroll	\$ 965,459	\$ 946,927	\$ 875,724	\$ 841,749	\$ 783,461	\$ 811,423
Net pension liability as a percentage of covered employee payroll	385.13%	443.12%	461.26%	489.69%	533.00%	485.55%

See notes to required supplementary information.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<u>General Employees' Retirement Plan</u>										
Actuarially determined contribution	\$ 523,748	\$ 493,709	\$ 598,201	\$ 500,108	\$ 410,250	\$ 493,399	\$ 463,611	\$ 515,239	\$ 431,650	\$ 350,068
Contributions in relation to the actuarially determined contributions	524,068	493,709	598,201	500,108	410,250	538,937	463,611	515,239	431,650	350,068
Contribution deficiency (excess)	\$ (320)	\$ -	\$ -	\$ -	\$ -	\$ (45,538)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll*	\$ 3,080,869	\$ 2,758,152	\$ 2,612,232	\$ 2,273,218	\$ 2,125,652	\$ 2,294,878	\$ 2,534,951	\$ 2,164,868	\$ 2,534,951	\$ 2,147,539
Net pension liability as a percentage of covered employee payroll	17.01%	17.90%	22.90%	22.00%	19.30%	23.48%	18.29%	23.80%	17.03%	16.30%
<u>Police Officers' Retirement Plan</u>										
Actuarially determined contribution	\$ 207,383	\$ 203,871	\$ 154,403	\$ 150,981	\$ 158,182	\$ 165,968	\$ 158,624	\$ 244,248	\$ 267,788	\$ 247,022
Contributions in relation to the actuarially determined contribution	212,354	181,722	158,970	155,189	167,375	171,721	173,098	244,506	267,788	247,022
Contribution deficiency (excess)	\$ (4,971)	\$ 22,149	\$ (4,567)	\$ (4,208)	\$ (9,193)	\$ (5,753)	\$ (14,474)	\$ (258)	\$ -	\$ -
Covered employee payroll*	\$ 905,606	\$ 845,989	\$ 783,772	\$ 751,149	\$ 823,863	\$ 801,776	\$ 892,823	\$ 733,479	\$ 2,534,951	\$ 760,984
Net pension liability as a percentage of covered employee payroll	23.45%	21.48%	20.28%	20.66%	20.32%	21.42%	19.39%	33.34%	10.56%	32.46%
<u>Firefighters' Retirement Plan</u>										
Actuarially determined contribution	\$ 553,926	\$ 496,190	\$ 496,190	\$ 467,637	\$ 470,538	\$ 406,616	\$ 349,687	\$ 332,240	\$ 279,992	\$ 216,366
Contributions in relation to the actuarially determined contributions	568,841	496,246	486,130	458,680	465,506	430,665	349,687	332,240	279,992	214,366
Contribution deficiency (excess)	\$ (14,915)	\$ (56)	\$ 10,060	\$ 8,957	\$ 5,032	\$ (24,049)	\$ -	\$ -	\$ -	\$ 2,000
Covered employee payroll*	\$ 978,667	\$ 965,459	\$ 946,927	\$ 875,724	\$ 841,749	\$ 783,461	\$ 811,423	\$ 676,661	\$ 2,164,868	\$ 657,941
Net pension liability as a percentage of covered employee payroll	58.12%	51.40%	51.34%	52.38%	55.30%	54.97%	43.10%	49.10%	12.93%	32.58%

* 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**

Valuation Date: October 1, 2020

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: 2.5% per year

Salary increases: Service based

7.50% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Interest rate:

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

Retirement age: Earlier of age 65 and 10 years of Credited Service or 25 years of Credited Service, regardless of age.

Early retirement: Age 55 and 10 years of Credited Service.

Mortality: Healthy Males: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Females: PubS.H-2010 for Employees, set forward one year.
Disabled Males: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.
Disabled Females: 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

See notes to required supplementary information.

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

Valuation Date: October 1, 2020

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. This is based on the results of an actuarial experience study for the period 2008-2018. Projected salary at retirement is increased based on service as of July 1, 2011, to account for non-regular compensation as follows:

<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.

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Payroll increase:

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. This is based on the results of an actuarial experience study for the period 2008-2018.

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. We feel this assumption is reasonable based on plan provisions.

Disability rates: It is assumed that 75% of disablements are service related. We believe this assumption is in line with the experience incurred by other plans containing Florida municipal Police Officers.

Mortality: Mortality Rate Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Mortality Rate Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

See notes to required supplementary information.

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

Valuation Date:	October 1, 2020
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
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:	Service based
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 1.26% 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 5% per year.
Disability rates:	It is assumed that 90% of disablements are service related
Mortality:	Mortality Rate Healthy Active Lives: Female: PubS.H-2010 for Employees, set forward one year. Male: PubS.H-2010 (Below Median) for Employees, set forward one year. Mortality Rate Healthy Retiree Lives: Female: PubS.H-2010 for Healthy Retirees, set forward one year. Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

See notes to required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>General Employees' Retirement Plan</u>							
Annual Money-Weighted Rate of Return *Net of Investment expense	8.54%	3.17%	8.64%	10.55%	7.77%	1.41%	9.19%
<u>Police Officers' Retirement Plan</u>							
Annual Money-Weighted Rate of Return *Net of Investment expense	10.08%	3.02%	9.01%	10.73%	7.80%	1.21%	8.55%
<u>Firefighters' Retirement Plan</u>							
Annual Money-Weighted Rate of Return *Net of Investment expense	8.48%	5.98%	11.15%	13.69%	11.21%	-5.08%	11.98%

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 Measurement Date	9/30/21 9/30/20	9/30/20 9/30/19	9/30/19 9/30/18	9/30/18 9/30/17
Total OPEB Liability				
Service cost	\$ 166,554	\$ 172,157	\$ 175,165	\$ 166,713
Differences between expected and actual experience	(9,163)	(112,149)	(269,273)	-
Changes of assumptions	(488,945)	(40,938)	(613,804)	-
Interest	286,276	265,202	292,828	286,716
Explicit benefit payments	(26,734)	(18,096)	(13,246)	(15,054)
Implicit benefit payments	(76,110)	(80,494)	(102,618)	(91,488)
Net change in total OPEB liability	(148,122)	185,682	(530,948)	346,887
Total OPEB liability – beginning	3,710,103	3,524,421	4,055,369	3,708,482
Total OPEB liability – ending (a)	<u>\$ 3,561,981</u>	<u>\$ 3,710,103</u>	<u>\$ 3,524,421</u>	<u>\$ 4,055,369</u>
Plan Fiduciary Net Position				
Explicit contributions - employer	\$ 211,416	\$ 95,570	\$ 103,169	\$ 201,812
Implicit contributions - employer	76,110	80,494	102,618	91,488
Net investment income	51,086	83,728	213,611	233,075
Explicit benefit payments	(26,734)	(18,096)	(13,246)	(15,054)
Implicit benefit payments	(76,110)	(80,494)	(102,618)	(91,488)
Administrative expenses	(37,405)	(35,250)	(33,602)	(32,389)
Net change in plan fiduciary net position	198,363	125,952	269,932	387,444
Plan fiduciary net position – beginning	2,877,394	2,751,442	2,481,510	2,094,066
Plan fiduciary net position – ending (b)	<u>\$ 3,075,757</u>	<u>\$ 2,877,394</u>	<u>\$ 2,751,442</u>	<u>\$ 2,481,510</u>
Net OPEB liability – ending (a)-(b)	<u>\$ 486,224</u>	<u>\$ 832,709</u>	<u>\$ 772,979</u>	<u>\$ 1,573,859</u>
Plan fiduciary net position as a percentage of the total OPEB liability	86.35%	77.56%	78.07%	61.19%
Covered employee payroll	\$ 6,195,221	\$ 5,477,286	\$ 5,350,280	\$ 5,245,372
Net OPEB liability as a percentage of covered employee payroll	7.85%	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**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 235,066	\$ 247,658	\$ 247,086	\$ 321,320
Contributions in relation to the actuarially determined contributions	<u>211,416</u>	<u>95,570</u>	<u>103,169</u>	<u>201,812</u>
Contribution deficiency	<u>\$ 23,650</u>	<u>\$ 152,088</u>	<u>\$ 143,917</u>	<u>\$ 119,508</u>
Covered employee payroll	\$ 6,195,221	\$ 5,477,286	\$ 5,245,372	\$ 5,838,317
Net OPEB liability as a percentage of covered employee payroll	3.41%	1.74%	1.97%	3.46%

See notes to required supplementary information.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual Money-Weighted Rate of Return	8.18%	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**

Valuation Date: October 1, 2019

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 10/01/2019 valuation)

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

Healthcare Inflation: Initial rate of 7.5% in fiscal 2020, 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, 2021**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Police Special Investigation</u>	<u>Red Light Camera</u>	<u>Debt Service</u>	
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 225,261	\$ 225,261
Receivables	-	1,397	-	1,397
Restricted cash	10,143	175,060	-	185,203
TOTAL ASSETS	<u>\$ 10,143</u>	<u>\$ 176,457</u>	<u>\$ 225,261</u>	<u>\$ 411,861</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund balance				
Restricted				
Public safety	10,143	176,457	-	186,600
Assigned	-	-	225,261	225,261
Total fund balance	<u>10,143</u>	<u>176,457</u>	<u>225,261</u>	<u>411,861</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,143</u>	<u>\$ 176,457</u>	<u>\$ 225,261</u>	<u>\$ 411,861</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, 2021**

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Police Special Investigation</u>	<u>Red Light Camera</u>	<u>Debt Service</u>	
REVENUES				
Fines and forfeits	\$ -	\$ 226,637	\$ -	\$ 226,637
Miscellaneous	46	94	-	140
Total revenues	46	226,731	-	226,777
EXPENDITURES				
Current				
Public safety	225	128,360	-	128,585
Total expenditures	225	128,360	-	128,585
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(179)	98,371	-	98,192
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(85,920)	-	(85,920)
Total other financing sources (uses)	-	(85,920)	-	(85,920)
NET CHANGE IN FUND BALANCE	(179)	12,451	-	12,272
FUND BALANCE, BEGINNING	10,322	164,006	225,261	399,589
FUND BALANCE, ENDING	<u>\$ 10,143</u>	<u>\$ 176,457</u>	<u>\$ 225,261</u>	<u>\$ 411,861</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, 2021**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 586,808	\$ 134,462	\$ 721,270
Receivables, net	43,118	-	43,118
Total current assets	629,926	134,462	764,388
Capital assets			
Non-depreciable	380,350	519,404	899,754
Depreciable, net	25,353	-	25,353
Total capital assets	405,703	519,404	925,107
TOTAL ASSETS	<u>1,035,629</u>	<u>653,866</u>	<u>1,689,495</u>
LIABILITIES			
Current liabilities			
Accounts payable	3,548	1,753	5,301
NET POSITION			
Net investment in capital assets	405,703	519,404	925,107
Unrestricted	626,378	132,709	759,087
TOTAL NET POSITION	<u>\$ 1,032,081</u>	<u>\$ 652,113</u>	<u>\$ 1,684,194</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, 2021**

	Stormwater fund	Marina Fund	Total Non-Major Funds
OPERATING REVENUES			
Charges for services	\$ 231,238	\$ 45,113	\$ 276,351
OPERATING EXPENSES			
Operating	106,186	54,127	160,313
Depreciation	17,422	8,250	25,672
Total operating expenses	123,608	62,377	185,985
OPERATING INCOME (LOSS)	107,630	(17,264)	90,366
Interest income	106	-	106
Miscellaneous	-	(49)	(49)
Total non-operating revenues	106	(49)	57
CHANGE IN NET POSITION	107,736	(17,313)	90,423
NET POSITION, BEGINNING	924,345	669,426	1,593,771
NET POSITION, ENDING	<u>\$ 1,032,081</u>	<u>\$ 652,113</u>	<u>\$ 1,684,194</u>

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Stormwater Fund	Marina Fund	Total Major Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 226,431	\$ 45,113	\$ 271,544
Payments to suppliers	(102,800)	(52,631)	(155,431)
Miscellaneous income	-	(49)	(49)
Net cash provided by (used in) operating activities	<u>123,631</u>	<u>(7,567)</u>	<u>116,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>106</u>	<u>-</u>	<u>106</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	123,737	(7,567)	116,170
CASH AND CASH EQUIVALENTS, BEGINNING	<u>463,071</u>	<u>142,029</u>	<u>605,100</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 586,808</u>	<u>\$ 134,462</u>	<u>\$ 721,270</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 107,630	\$ (17,264)	\$ 90,366
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	17,422	8,250	25,672
Miscellaneous income	-	(49)	(49)
Decrease (increase) in assets:			
Accounts receivable	(4,807)	-	(4,807)
Increase (decrease) in liabilities:			
Accounts payable	<u>3,386</u>	<u>1,496</u>	<u>4,882</u>
Net cash provided by (used in) operating activities	<u>\$ 123,631</u>	<u>\$ (7,567)</u>	<u>\$ 116,064</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, 2021.

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, 2021.

Warren Averett, LLC

Pensacola, Florida
April 12, 2022

**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, 2021, 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 12, 2022.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 questioned costs. 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.



Pensacola Florida

April 12, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE***

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

Report on Compliance for the Major Federal Program

We have audited City of Milton, Florida ("the City")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
April 12, 2022

**CITY OF MILTON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Federal Agency Pass-Through Entity Program Title	Federal Assistance Listing Number	Contract/Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)				
Indirect Program				
Pass-Through From:				
State Department of Emergency Management				
Disaster Grants - Public Assistance	97.036	DR4564	\$ 475,185	\$ -
 U.S. Department of Treasury				
Indirect Program				
Pass-Through From:				
Santa Rosa County Board of County Commissioners				
COVID 19 - Coronavirus Relief Fund	21.019	Y2279	30,386	-
 U.S. Department of Housing and Urban Development				
Indirect Program				
Pass-Through From:				
State Department of Economic Opportunity				
Community Development Block Grant	14.228	H2398/20DB- OO-01-67-02- N16	560,032	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,065,603</u>	<u>\$ -</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

1. BASIS OF PRESENTATION

The information in the Schedule of Expenditures of Federal Awards (the Schedule) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. EXPENDITURES INCURRED IN PRIOR FISCAL YEAR

Total Federal Assistance Listing No. 97.036 expenditures \$93,288 were incurred in a prior fiscal year and obligated by FEMA in the current fiscal year.

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <input checked="" type="checkbox"/> no
Significant deficiency (ies) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes ___ none reported
Noncompliance material to financial statements noted?	___ yes <input checked="" type="checkbox"/> no

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	___ yes <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ yes <input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	___ yes <input checked="" type="checkbox"/> no

IDENTIFICATION OF MAJOR PROGRAM

Federal Assistance Listing Number 97.036 -U. S. Department of Homeland Security– Disaster Grants-Public Assistance	
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	___ yes <input checked="" type="checkbox"/> no

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001: Bank Reconciliation Process

Criteria:

Internal control is defined as a process affected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the City's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

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, 2021, an unreconciled difference of \$64 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.

Effect:

As of September 30, 2021, the pooled cash account was overstated by \$64 thousand.

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.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings required to be reported in accordance with the Uniform Guidance.

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, 2021, and have issued our report thereon dated April 12, 2022.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); 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 the Financial Statements in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the *Uniform Guidance*; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 12, 2022, 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. Finding 2020-001 is repeated as finding 2021-001 in the accompanying Schedule of Findings and Questioned Costs. This is the second year this finding has been repeated.

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 12, 2022



City of Milton

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. FINANCIAL STATEMENT FINDING

FINDING 2020-001 – Bank Reconciliation Process

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.

Current Status

See finding 2021-001 in the accompanying schedule of findings and questioned costs which indicates the finding was unresolved and there was still a significant unreconciled difference as of year end.

II. CORRECTIVE ACTION PLAN

The finding from the April 12, 2022 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

Contact Person – Curtis Krebs, Chief Accountant

Finding 2021-001: Bank Reconciliation Process

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, 2021, an unreconciled difference of \$64 thousand existed.

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.