



Financial Statements and Supplementary Information

Fiscal Year Ended September 30, 2023

**CITY OF MILTON, FLORIDA
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FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of September 30, 2023, 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining 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 state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 by us and other auditors. In our opinion, based on our audit, the combining and individual nonmajor fund financial statements and schedule of expenditures of state financial assistance 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 June 11, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
June 11, 2024

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$61 million (net position), which represents an increase of \$10.6 million from the prior year. Of this amount, \$23 million represents net investment in capital assets (e.g., land, infrastructure, building, machinery and equipment), \$17 million is restricted for future obligations and \$20 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 \$4 million from the prior year.
- The net position of the business-type activities of the City increased by \$6 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$11 million, an increase of \$2 million. Approximately \$3 million of the ending fund balances are nonspendable, restricted or assigned and \$8 million is available for spending at the City's discretion.

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, 2023**

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), 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, 2023**

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, 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, 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, 2023**

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 \$61 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 \$10 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 \$17 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$20 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, 2023**

**Table 1
CITY OF MILTON, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 17,286,726	\$ 20,647,123	\$ 36,987,677	\$ 25,873,851	\$ 54,274,403	\$ 46,520,974
Capital assets	12,134,428	11,313,152	16,892,192	17,371,319	29,026,620	28,684,471
Total assets	29,421,154	31,960,275	53,879,869	43,245,170	83,301,023	75,205,445
Total deferred outflows of resources	5,676,120	2,179,535	653,300	204,643	6,329,420	2,384,178
Long-term liabilities outstanding	9,714,623	4,653,576	6,787,054	6,761,155	16,501,677	11,414,731
Other liabilities	587,954	5,935,685	5,721,188	573,755	6,309,142	6,509,440
Total liabilities	10,302,577	10,589,261	12,508,242	7,334,910	22,810,819	17,924,171
Total deferred inflows of resources	5,276,982	8,288,809	490,605	947,148	5,767,587	9,235,957
Net position						
Net investment in capital assets	11,602,918	10,656,342	11,847,029	11,697,467	23,449,947	22,353,809
Restricted	2,165,300	2,126,970	15,114,776	8,820,823	17,280,076	10,947,793
Unrestricted	5,749,497	2,478,428	14,572,517	14,649,465	20,322,014	17,127,893
Total net position	\$ 19,517,715	\$ 15,261,740	\$ 41,534,322	\$ 35,167,755	\$ 61,052,037	\$ 50,429,495

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Reported in Table 2 are the key elements of the changes during the year.

**Table 2
CITY OF MILTON, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	\$ 3,100,017	\$ 2,982,918	\$ 17,928,845	\$ 17,256,791	\$ 21,028,862	\$20,239,709
Grants and contributions	472,492	207,577	4,111,052	1,709,742	4,583,544	1,917,319
General revenues						
Property taxes	1,441,830	1,276,409	-	-	1,441,830	1,276,409
Other taxes	2,651,621	2,470,100	-	-	2,651,621	2,470,100
Other revenue	3,259,488	2,046,612	1,391,340	196,787	4,650,828	2,243,399
TOTAL REVENUES	10,925,448	8,983,616	23,431,237	19,163,320	34,356,685	28,146,936
EXPENSES						
Primary government						
General government	3,013,060	3,524,245	-	-	3,013,060	3,524,245
Public safety	4,986,547	3,720,519	-	-	4,986,547	3,720,519
Transportation	1,538,023	1,359,476	-	-	1,538,023	1,359,476
Economic environment	247,580	284,801	-	-	247,580	284,801
Culture and Recreation	1,610,750	1,377,625	-	-	1,610,750	1,377,625
Debt service interest	14,590	1,359	-	-	14,590	1,359
Business-type activities						
Natural gas	-	-	3,756,607	3,645,762	3,756,607	3,645,762
Water and sewer	-	-	6,321,465	6,102,937	6,321,465	6,102,937
Sanitation	-	-	1,493,414	1,450,964	1,493,414	1,450,964
Sundial utilities	-	-	589,973	597,339	589,973	597,339
Non-major proprietary funds	-	-	162,134	324,637	162,134	324,637
TOTAL EXPENSES	11,410,550	10,268,025	12,323,593	12,121,639	23,734,143	22,389,664
Increase (decrease) in net position before transfers						
	(485,102)	(1,284,409)	11,107,644	7,041,681	10,622,542	5,757,272
Transfers	4,741,077	3,880,552	(4,741,077)	(3,880,552)	-	-
Increase in net position	4,255,975	2,596,143	6,366,567	3,161,129	10,622,542	5,757,272
NET POSITION, BEGINNING						
	15,261,740	12,665,597	35,167,755	32,006,626	50,429,495	44,672,223
NET POSITION, ENDING						
	\$19,517,715	\$15,261,740	\$ 41,534,322	\$35,167,755	\$ 61,052,037	\$50,429,495

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL IMPACTS

Normal Impacts

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

Revenues

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

Expenses

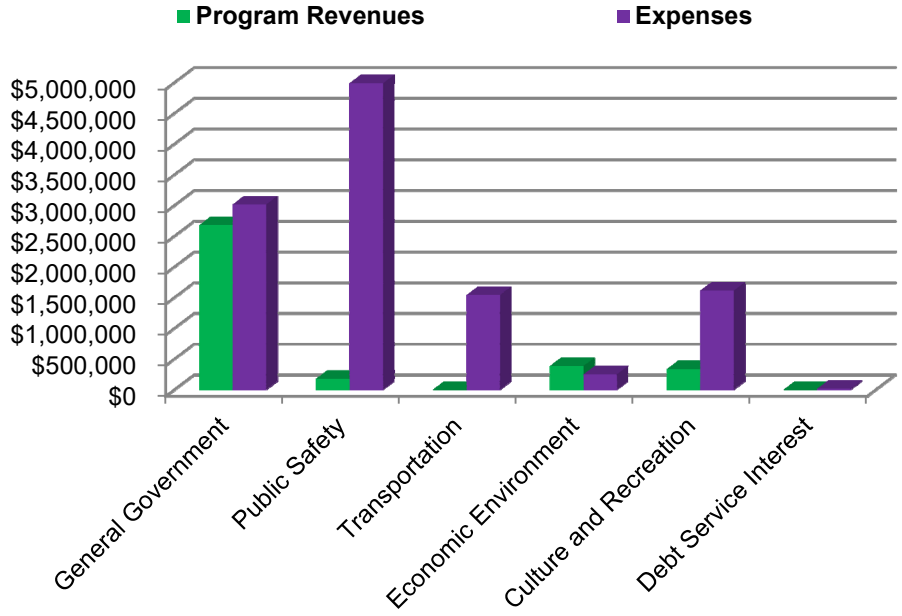
- **Introduction of New Programs:** Within functional expense categories (police, fire, public works, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- **Authorized Position Adjustments:** Changes in service demand may cause the City Council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

Current Year Impacts – Governmental Activities

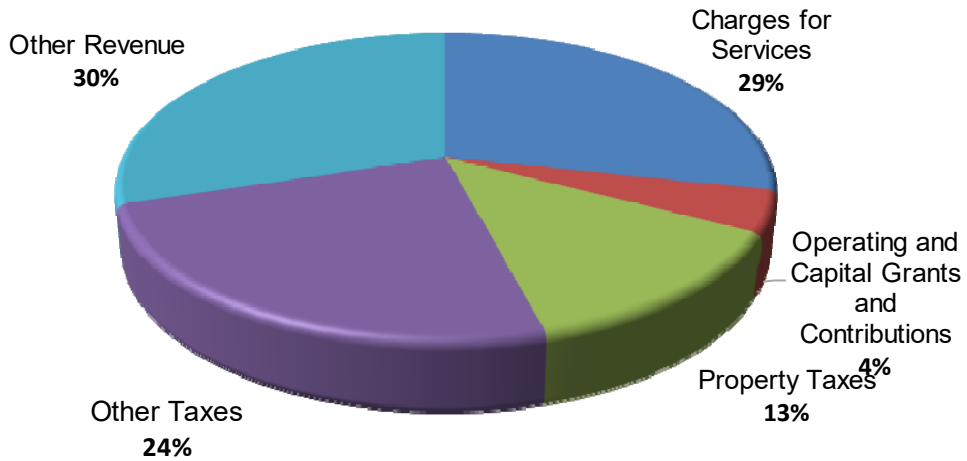
- Grants and contributions increased approximately \$260 thousand due to grant funding utilized for the Carpenter's park project.
- Other income increased due to the refund from the City's Retiree Health Care Plan of accumulated excess insurance premium contributions collected from prior years totaling approximately \$1 million.
- Public safety expenses increased approximately \$1 million related to changes in actuarial estimates impacting the firefighters and police pension plans.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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



**CHART 2
REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES**

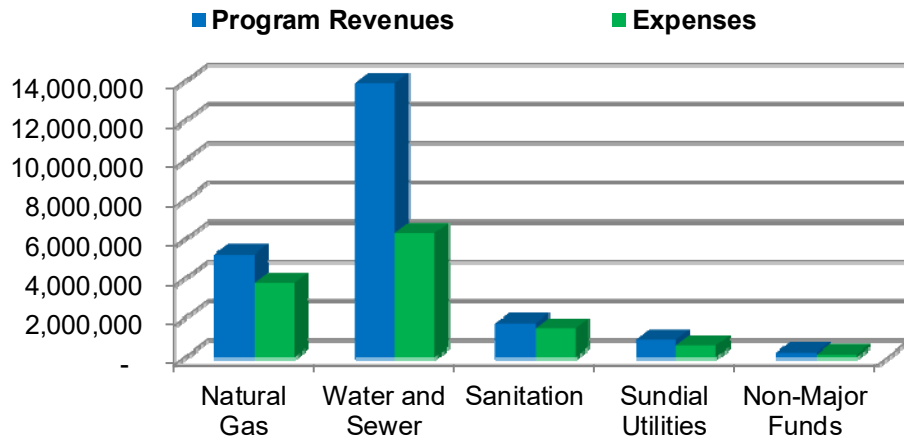


**CITY OF MILTON, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Current Year Impacts – Business-Type Activities

- Grants and contributions, which includes impact fees, capital and operating grants, increased by \$2.4 million, mostly due to grant funding utilized for planning and engineering for the new wastewater treatment plant and an increase in residential impact fees.
- Charges for services increased \$670 thousand, which is mostly related to an increase in utility rates.
- Other income increased due mostly to the market performance and interest earnings received on cash and investments held during the year.

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



**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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 \$11.3 million, an increase of \$2 million from the prior year. \$8.2 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 \$1.9 million. The factors concerning the finances of these governmental funds have been addressed in the discussion of the City's government activities.

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 \$15 million at the end of the year. Proprietary funds net position increased by \$6.4 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 \$357 thousand and budgeted revenues were increased by \$51 thousand as presented in the final amended budget.

Actual results, when compared to the final budget, show a positive variance of \$1.9 million based on additional sources of unbudgeted revenue received during the year.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023, 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, 2023 AND 2022**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 3,240,182	\$ 3,240,182	\$ 1,016,777	\$ 1,016,777	\$ 4,256,959	\$ 4,256,959
Construction in progress	2,813,658	1,703,329	5,121,749	4,057,058	7,935,407	5,760,387
Buildings	689,777	773,640	-	-	689,777	773,640
Improvements other than buildings	4,465,581	4,734,726	9,414,740	10,853,856	13,880,321	15,588,582
Machinery and equipment	925,230	861,275	1,338,926	1,443,628	2,264,156	2,304,903
Total	<u>\$12,134,428</u>	<u>\$11,313,152</u>	<u>\$ 16,892,192</u>	<u>\$17,371,319</u>	<u>\$ 29,026,620</u>	<u>\$28,684,471</u>

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

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, 2023 AND 2022**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Notes and loans payable	\$ 531,510	\$ 656,810	\$ 5,045,163	\$ 5,673,852	\$ 5,576,673	\$ 6,330,662
Compensated absences	683,203	647,137	147,043	163,804	830,246	810,941
Total	<u>\$ 1,214,713</u>	<u>\$ 1,303,947</u>	<u>\$ 5,192,206</u>	<u>\$ 5,837,656</u>	<u>\$ 6,406,919</u>	<u>\$ 7,141,603</u>

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

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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.

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.

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, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,798,507	\$ 18,553,913	\$ 27,352,420
Receivables, net	189,228	1,837,564	2,026,792
Due from other governments	747,973	418,209	1,166,182
Inventory	437,515	305,087	742,602
Lease receivables	3,617,586	-	3,617,586
Restricted assets			
Cash and cash equivalents	1,711,621	15,341,046	17,052,667
Net OPEB asset	1,784,296	531,858	2,316,154
Capital assets			
Non-depreciable	6,053,840	6,138,526	12,192,366
Depreciable, net	6,080,588	10,753,666	16,834,254
TOTAL ASSETS	29,421,154	53,879,869	83,301,023
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	369,986	151,348	521,334
Pension related	5,306,134	501,952	5,808,086
TOTAL DEFERRED OUTFLOWS	5,676,120	653,300	6,329,420
LIABILITIES			
Accounts payable	241,609	553,644	795,253
Accrued liabilities	267,095	123,615	390,710
Unearned revenue	79,250	5,043,929	5,123,179
Compensated absences	617,470	140,133	757,603
Notes and loans payable	129,035	644,719	773,754
Payable from restricted assets			
Customer deposits	-	895,191	895,191
Non-current liabilities			
Compensated absences	65,733	6,910	72,643
Notes and loans payable	402,475	4,400,444	4,802,919
Net pension liability	8,499,910	699,657	9,199,567
TOTAL LIABILITIES	10,302,577	12,508,242	22,810,819
DEFERRED INFLOWS OF RESOURCES			
OPEB related	1,263,661	468,615	1,732,276
Leases	3,572,000	-	3,572,000
Pension related	441,321	21,990	463,311
TOTAL DEFERRED INFLOWS	5,276,982	490,605	5,767,587
NET POSITION			
Net investment in capital assets	11,602,918	11,847,029	23,449,947
Restricted			
Debt service	-	348,478	348,478
Public safety	11,080	-	11,080
Community redevelopment	46,137	-	46,137
Capital projects	2,108,083	14,766,298	16,874,381
Unrestricted	5,749,497	14,572,517	20,322,014
TOTAL NET POSITION	\$ 19,517,715	\$ 41,534,322	\$ 61,052,037

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2023**

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	\$ 3,013,060	\$ 2,677,439	\$ -	\$ -	\$ (335,621)	\$ -	\$ (335,621)
Public safety	4,986,547	177,504	-	-	(4,809,043)	-	(4,809,043)
Transportation	1,538,023	-	-	-	(1,538,023)	-	(1,538,023)
Economic environment	247,580	14,554	-	370,087	137,061	-	137,061
Culture and recreation	1,610,750	230,520	-	102,405	(1,277,825)	-	(1,277,825)
Debt service interest	14,590	-	-	-	(14,590)	-	(14,590)
Total governmental activities	11,410,550	3,100,017	-	472,492	(7,838,041)	-	(7,838,041)
Business-type activities							
Natural gas	3,756,607	5,233,535	-	-	-	1,476,928	1,476,928
Water and sewer	6,321,465	9,784,344	1,197,449	2,913,603	-	7,573,931	7,573,931
Sanitation	1,493,414	1,743,259	-	-	-	249,845	249,845
Sundial utilities	589,973	898,931	-	-	-	308,958	308,958
Non-major proprietary funds	162,134	268,776	-	-	-	106,642	106,642
Total business-type activities	12,323,593	17,928,845	1,197,449	2,913,603	-	9,716,304	9,716,304
Total primary government	\$ 23,734,143	\$ 21,028,862	\$ 1,197,449	\$ 3,386,095	(7,838,041)	9,716,304	1,878,263
General revenues							
Taxes							
Property taxes					1,441,830	-	1,441,830
Sales taxes					1,150,187	-	1,150,187
Utility service taxes					1,501,434	-	1,501,434
Municipal revenue sharing					1,691,978	-	1,691,978
Investment earnings					273,249	891,242	1,164,491
Miscellaneous					1,294,261	500,098	1,794,359
Transfers					4,741,077	(4,741,077)	-
Total general revenues and transfers					12,094,016	(3,349,737)	8,744,279
CHANGE IN NET POSITION					4,255,975	6,366,567	10,622,542
NET POSITION, BEGINNING					15,261,740	35,167,755	50,429,495
NET POSITION, ENDING					\$ 19,517,715	\$ 41,534,322	\$ 61,052,037

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2023**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Community Redevelopment Agency	Capital Projects		
ASSETS					
Cash and cash equivalents	\$ 8,569,113	\$ -	\$ -	\$ 229,394	\$ 8,798,507
Receivables, net	186,930	56	1,957	285	189,228
Due from other governments	252,261	-	495,712	-	747,973
Inventory	437,515	-	-	-	437,515
Lease receivables	3,617,586	-	-	-	3,617,586
Restricted assets					
Cash and cash equivalents	-	47,178	1,653,376	11,067	1,711,621
TOTAL ASSETS	\$ 13,063,405	\$ 47,234	\$ 2,151,045	\$ 240,746	\$ 15,502,430
LIABILITIES					
Accounts payable	\$ 197,550	\$ 1,097	\$ 42,962	\$ -	\$ 241,609
Accrued liabilities	267,095	-	-	-	267,095
Unearned revenue	79,250	-	-	-	79,250
Total liabilities	543,895	1,097	42,962	-	587,954
DEFERRED INFLOWS OF RESOURCES					
	3,572,000	-	-	-	3,572,000
FUND BALANCE					
Nonspendable					
Inventory	437,515	-	-	-	437,515
Restricted					
Capital projects	-	-	2,108,083	-	2,108,083
Public safety	-	-	-	11,080	11,080
Community redevelopment	-	46,137	-	-	46,137
Assigned	299,702	-	-	229,666	529,368
Unassigned	8,210,293	-	-	-	8,210,293
Total fund balance	8,947,510	46,137	2,108,083	240,746	11,342,476
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,063,405	\$ 47,234	\$ 2,151,045	\$ 240,746	\$ 15,502,430

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, 2023**

Fund balance, total governmental funds		\$ 11,342,476
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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	6,053,840	
Governmental depreciable assets	29,926,540	
Less accumulated depreciation	<u>(23,845,952)</u>	
		12,134,428

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	369,986	
Deferred inflows of resources - OPEB related	(1,263,661)	
Deferred outflows of resources - pension related	5,306,134	
Deferred inflows of resources - pension related	<u>(441,321)</u>	
		3,971,138

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

Notes payable	(531,510)	
Compensated absences	(683,203)	
Net OPEB asset	1,784,296	
Net pension liability	<u>(8,499,910)</u>	
		<u>(7,930,327)</u>

Net position of governmental activities		<u>\$ 19,517,715</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, 2023**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	Fund	Community Redevelopment Agency	Capital Projects		
REVENUES					
Taxes	\$ 3,337,544	\$ -	\$ 209,762	\$ -	\$ 3,547,306
Licenses, fees, permits and assessments	993,153	-	-	-	993,153
Intergovernmental	1,407,391	129,886	1,309,736	-	2,847,013
Charges for services	1,747,236	14,554	-	-	1,761,790
Fines and forfeits	18,738	-	-	633	19,371
Miscellaneous	1,700,290	2,291	49,834	4,401	1,756,816
Total revenues	9,204,352	146,731	1,569,332	5,034	10,925,449
EXPENDITURES					
Current					
General governmental	3,827,329	-	-	-	3,827,329
Public safety	4,648,077	-	-	-	4,648,077
Economic environment	135,107	112,473	-	-	247,580
Transportation	1,323,407	-	-	-	1,323,407
Culture and recreation	1,569,451	-	-	-	1,569,451
Capital outlay	359,709	-	1,566,088	-	1,925,797
Debt Service					
Principal	125,300	-	-	-	125,300
Interest	14,590	-	-	-	14,590
Total expenditures	12,002,970	112,473	1,566,088	-	13,681,531
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(2,798,618)	34,258	3,244	5,034	(2,756,082)
OTHER FINANCING SOURCES					
Transfers in	4,741,077	-	-	-	4,741,077
Total other financing sources	4,741,077	-	-	-	4,741,077
NET CHANGE IN FUND BALANCE	1,942,459	34,258	3,244	5,034	1,984,995
FUND BALANCE, BEGINNING	7,005,051	11,879	2,104,839	235,712	9,357,481
FUND BALANCE, ENDING	\$ 8,947,510	\$ 46,137	\$ 2,108,083	\$ 240,746	\$ 11,342,476

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, 2023**

Net change in fund balance – governmental funds \$ 1,984,995

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	1,925,797	
Less current year depreciation	<u>(1,104,521)</u>	
		821,276

The issuance of long-term debt provides current debt 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		125,300
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Some expenses reported in the statement of activities do not resources
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	1,523,565	
Change in net pension liability and related deferred inflows and outflows of resources related to pensions	(163,095)	
Change in long-term compensated absences	<u>(36,066)</u>	
		<u>1,324,404</u>

Change in net position of governmental activities		<u><u>\$ 4,255,975</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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget -
				Positive
				(Negative)
REVENUES				
Taxes	\$ 3,140,726	\$ 3,140,726	\$ 3,337,544	\$ 196,818
Licenses, fees, permits & assessments	1,006,319	1,006,319	993,153	(13,166)
Intergovernmental	1,796,706	1,796,706	1,407,391	(389,315)
Charges for services	1,214,712	1,238,712	1,747,236	508,524
Fines and forfeits	27,650	27,650	18,738	(8,912)
Miscellaneous	281,952	308,952	1,700,290	1,391,338
Total revenues	7,468,065	7,519,065	9,204,352	1,685,287
EXPENDITURES				
Current				
General governmental	3,891,953	4,035,119	3,827,329	207,790
Public safety	5,035,443	5,038,843	4,648,077	390,766
Transportation	1,560,162	1,563,492	1,323,407	240,085
Economic environment	132,377	132,377	135,107	(2,730)
Culture and recreation	1,650,518	1,663,518	1,569,451	94,067
Capital outlay	296,000	490,325	359,709	130,616
Debt service	142,391	142,391	139,890	2,501
Total expenditures	12,708,844	13,066,065	12,002,970	1,063,095
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	(5,240,779)	(5,547,000)	(2,798,618)	2,748,382
OTHER FINANCING SOURCES (USES)				
Transfers in	5,240,779	10,957,000	4,741,077	(6,215,923)
Transfers out	-	(5,410,000)	-	5,410,000
Total other financing sources	5,240,779	5,547,000	4,741,077	(805,923)
NET CHANGE IN FUND BALANCE	-	-	1,942,459	1,942,459
FUND BALANCE, BEGINNING	-	-	7,005,051	7,005,051
FUND BALANCE, ENDING	\$ -	\$ -	\$ 8,947,510	\$ 8,947,510

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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 129,888	\$ 129,888	\$ 129,886	\$ (2)
Charges for services	5,000	5,000	14,554	9,554
Miscellaneous	5,019	5,019	2,291	(2,728)
Total revenues	139,907	139,907	146,731	6,824
EXPENDITURES				
Current				
Economic environment	154,907	154,907	112,473	42,434
Total expenditures	154,907	154,907	112,473	42,434
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(15,000)	(15,000)	34,258	49,258
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	-	(15,000)
Total other financing uses	15,000	15,000	-	(15,000)
NET CHANGE IN FUND BALANCE				
	-	-	34,258	34,258
FUND BALANCE, BEGINNING				
	9,161	5,236	11,879	6,643
FUND BALANCE, ENDING				
	\$ 9,161	\$ 5,236	\$ 46,137	\$ 40,901

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	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	\$ 2,344,897	\$ 11,998,518	\$ 549,104	\$ 2,807,491	\$ 853,903	\$ 18,553,913
Receivables, net	405,138	1,148,160	168,898	68,638	46,730	1,837,564
Due from other governments	-	418,209	-	-	-	418,209
Inventory	305,087	-	-	-	-	305,087
Restricted cash	226,270	14,766,298	-	348,478	-	15,341,046
Non-current - Net OPEB asset	171,567	223,037	137,254	-	-	531,858
Total current and other assets	3,452,959	28,554,222	855,256	3,224,607	900,633	36,987,677
Capital assets						
Non-depreciable	5,575	4,803,579	-	786,118	543,254	6,138,526
Depreciable, net	871,740	8,827,611	290,039	434,845	329,431	10,753,666
Total capital assets	877,315	13,631,190	290,039	1,220,963	872,685	16,892,192
TOTAL ASSETS	4,330,274	42,185,412	1,145,295	4,445,570	1,773,318	53,879,869
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	48,821	63,469	39,058	-	-	151,348
Pension related	133,788	299,397	68,767	-	-	501,952
TOTAL DEFERRED OUTFLOWS	182,609	362,866	107,825	-	-	653,300
LIABILITIES						
Current liabilities						
Accounts payable	254,622	244,720	44,389	6,236	3,677	553,644
Compensated absences	40,652	67,701	31,780	-	-	140,133
Accrued wages	28,191	78,855	16,569	-	-	123,615
Notes & loans payable	75,743	418,413	-	150,563	-	644,719
Restricted: Customer deposits	225,949	610,949	-	58,293	-	895,191
Unearned revenue	-	5,043,929	-	-	-	5,043,929
Total current liabilities	625,157	6,464,567	92,738	215,092	3,677	7,401,231
Non-current liabilities						
Compensated absences	5,263	1,621	26	-	-	6,910
Notes & loans payable	329,697	2,601,042	-	1,469,705	-	4,400,444
Net pension liability	186,483	417,321	95,853	-	-	699,657
Total non-current liabilities	521,443	3,019,984	95,879	1,469,705	-	5,107,011
TOTAL LIABILITIES	1,146,600	9,484,551	188,617	1,684,797	3,677	12,508,242
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	151,166	196,516	120,933	-	-	468,615
Pension related	5,861	13,116	3,013	-	-	21,990
TOTAL DEFERRED INFLOWS	157,027	209,632	123,946	-	-	490,605
NET POSITION						
Net investment in capital assets	471,875	10,611,735	290,039	(399,305)	872,685	11,847,029
Restricted: Debt service	-	-	-	348,478	-	348,478
Restricted: Capital projects	-	14,766,298	-	-	-	14,766,298
Unrestricted	2,737,381	7,476,062	650,518	2,811,600	896,956	14,572,517
TOTAL NET POSITION	\$ 3,209,256	\$ 32,854,095	\$ 940,557	\$ 2,760,773	\$ 1,769,641	\$ 41,534,322

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, 2023**

	Major Funds					Total
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	
OPERATING REVENUES						
Charges for services	\$ 5,233,535	\$ 9,784,344	\$ 1,743,259	\$ 898,931	\$ 268,776	\$ 17,928,845
OPERATING EXPENSES						
Personal services	579,904	1,749,679	434,915	-	-	2,764,498
Operating	2,991,253	2,760,198	1,008,030	307,563	121,178	7,188,222
Total operating expenses	3,738,656	6,232,267	1,493,414	526,850	162,134	12,153,321
OPERATING INCOME	1,494,879	3,552,077	249,845	372,081	106,642	5,775,524
NON-OPERATING REVENUES (EXPENSES)						
Interest expense	(17,951)	(89,198)	-	(63,123)	-	(170,272)
Interest income	24,987	756,275	7,654	79,773	22,553	891,242
Grant income	-	1,197,449	-	-	-	1,197,449
Miscellaneous	151,831	277,150	71,117	-	-	500,098
Total non-operating revenues	158,867	2,141,676	78,771	16,650	22,553	2,418,517
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,653,746	5,693,753	328,616	388,731	129,195	8,194,041
Capital contributions	-	2,913,603	-	-	-	2,913,603
Transfers out	(1,269,765)	(3,432,319)	(38,993)	-	-	(4,741,077)
Total transfers	(1,269,765)	(518,716)	(38,993)	-	-	(1,827,474)
CHANGE IN NET POSITION	383,981	5,175,037	289,623	388,731	129,195	6,366,567
NET POSITION AT BEGINNING OF YEAR	2,825,275	27,679,058	650,934	2,372,042	1,640,446	35,167,755
NET POSITION AT END OF YEAR	\$ 3,209,256	\$ 32,854,095	\$ 940,557	\$ 2,760,773	\$ 1,769,641	\$ 41,534,322

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Major Funds					Total
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/users	\$ 5,224,809	\$ 14,158,607	\$ 1,724,468	\$ 897,522	\$ 266,152	\$ 22,271,558
Payments to suppliers	(3,102,649)	(2,580,455)	(1,006,020)	(352,394)	(124,731)	(7,166,249)
Payments to employees	(747,292)	(1,967,504)	(529,971)	-	-	(3,244,767)
Miscellaneous income	151,831	277,150	71,117	-	-	500,098
Net cash provided by operating activities	<u>1,526,699</u>	<u>9,887,798</u>	<u>259,594</u>	<u>545,128</u>	<u>141,421</u>	<u>12,360,640</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Intergovernmental grant revenues	-	1,197,449	-	-	-	1,197,449
Transfers out	(1,269,765)	(3,432,319)	(38,993)	-	-	(4,741,077)
Net cash used in non-capital financing activities	<u>(1,269,765)</u>	<u>(2,234,870)</u>	<u>(38,993)</u>	<u>-</u>	<u>-</u>	<u>(3,543,628)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisitions of capital assets	(61,881)	(1,408,056)	-	(248,786)	(2,750)	(1,721,473)
Capital contributions and grants	-	2,913,603	-	-	-	2,913,603
Principal paid on long-term debt	(73,245)	(407,281)	-	(148,163)	-	(628,689)
Interest paid on long-term debt	(17,951)	(89,198)	-	(63,123)	-	(170,272)
Net cash provided by (used in) capital and related financing activities	<u>(153,077)</u>	<u>1,009,066</u>	<u>-</u>	<u>(460,072)</u>	<u>(2,750)</u>	<u>393,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	24,987	756,275	7,654	79,774	22,553	891,243
NET CHANGE IN CASH	<u>128,844</u>	<u>9,418,269</u>	<u>228,255</u>	<u>164,830</u>	<u>161,224</u>	<u>10,101,422</u>
CASH AND CASH EQUIVALENTS:						
AT BEGINNING OF YEAR	<u>2,442,323</u>	<u>17,346,547</u>	<u>320,849</u>	<u>2,991,139</u>	<u>692,679</u>	<u>23,793,537</u>
AT END OF YEAR	<u>\$ 2,571,167</u>	<u>\$ 26,764,816</u>	<u>\$ 549,104</u>	<u>\$ 3,155,969</u>	<u>\$ 853,903</u>	<u>\$ 33,894,959</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:						
Current assets	\$ 2,344,897	\$ 11,998,518	\$ 549,104	\$ 2,807,491	\$ 853,903	\$ 18,553,913
Restricted assets	226,270	14,766,298	-	348,478	-	15,341,046
Total cash and cash equivalents	<u>\$ 2,571,167</u>	<u>\$ 26,764,816</u>	<u>\$ 549,104</u>	<u>\$ 3,155,969</u>	<u>\$ 853,903</u>	<u>\$ 33,894,959</u>

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, 2023**

	Major Funds					Total
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income	\$ 1,494,879	\$ 3,552,077	\$ 249,845	\$ 372,081	\$ 106,642	\$ 5,775,524
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	167,499	1,722,390	50,469	219,287	40,956	2,200,601
Miscellaneous revenue	151,831	277,150	71,117	-	-	500,098
Decrease (increase) in assets:						
Receivable, net	(4,864)	(278,291)	(18,791)	(5,866)	(2,624)	(310,436)
Due from other governments	-	(418,209)	-	-	-	(418,209)
Inventory	(58,252)	-	-	-	-	(58,252)
Deferred outflows	(122,855)	(245,502)	(80,300)	-	-	(448,657)
(Decrease) increase in liabilities						
Accounts payable	(53,144)	179,743	2,010	(44,831)	(3,553)	80,225
Compensated absences payable	(16,081)	(4,481)	3,801	-	-	(16,761)
Accrued wages	(686)	27,266	(3,301)	-	-	23,279
Customer deposits	(3,862)	26,834	-	4,457	-	27,429
Unearned revenue	-	5,043,929	-	-	-	5,043,929
Net pension liability	169,929	385,322	(13,802)	-	-	541,449
Net OPEB asset	(87,405)	(47,979)	(90,123)	-	-	(225,507)
Deferred inflows	(110,290)	(332,451)	88,669	-	-	(354,072)
Net cash provided by operating activities	<u>\$ 1,526,699</u>	<u>\$ 9,887,798</u>	<u>\$ 259,594</u>	<u>\$ 545,128</u>	<u>\$ 141,421</u>	<u>\$ 12,360,640</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Investments, at fair value	\$ 32,602,573	\$ 2,345,637
	<u> </u>	<u> </u>
LIABILITIES		
Accounts payable	-	1,638
	<u> </u>	<u> </u>
NET POSITION		
Held in trust for pension and OPEB	\$ 32,602,573	\$ 2,343,999
	<u> </u>	<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, 2023**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ADDITIONS		
Contributions		
Employer	\$ 1,251,185	
Plan members	572,659	-
State of Florida	243,420	-
Total contributions	<u>2,067,264</u>	<u>-</u>
Investment income	3,377,214	496,624
Less investment expense	(319,617)	-
	<u>3,057,597</u>	<u>496,624</u>
TOTAL ADDITIONS (DEDUCTIONS)	5,124,861	496,624
DEDUCTIONS		
Benefits and refunds paid	2,075,814	1,517,039
Administrative expenses – other	9,239	34,222
TOTAL DEDUCTIONS	<u>2,085,053</u>	<u>1,551,261</u>
NET CHANGE IN NET POSITION	3,039,808	(1,054,637)
NET POSITION, BEGINNING	<u>29,562,765</u>	<u>3,398,636</u>
NET POSITION, ENDING	<u><u>\$ 32,602,573</u></u>	<u><u>\$ 2,343,999</u></u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 prepared. This report, or requests for additional information should be addressed to the Office of the Chief Accountant, 6738 Dixon Street, Milton, Florida 32572. Inquiries may also be sent via email to the Finance Department at chiefaccountant@mymiltonflorida.com.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 therein, 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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 for the acquisition and/or construction of capital facilities, except for those accounted for in proprietary funds.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 or 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 amortized cost. 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 amortized cost.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interfund 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.

Lease Receivable

The City recognizes a lease receivable and a corresponding deferred inflows of resources for lessor lease arrangements that fall under the scope of GASB Statement No.87, Leases.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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:

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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. 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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2023, 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, 2023, the City has deferred inflows of resources related to pensions, OPEB and leases.

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) Asset

For the purposes of measuring the net OPEB asset, 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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2023, the City implemented GASB Statement No. 96, Subscription- Based Information Technology Arrangements. Implementation had no effect on the City's financial statements.

3. 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:

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

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.

4. 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, 2023, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and therefore, have no custodial credit risk.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. DEPOSITS AND INVESTMENTS

Investments – Fiduciary Funds

As of September 30, 2023, 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.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. DEPOSITS AND INVESTMENTS

As of September 30, 2023, 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	\$ 3,628,930	\$ 54,168	\$1,582,486	\$ 1,346,647	\$ 645,629
U.S. Government obligations	704,508	3,940	156,638	375,637	168,293
Municipal obligations	117,068	4,989	43,651	10,486	57,942
Mortgage backed securities	842,075	-	370,256	121,900	349,919
	5,292,581	\$ 63,097	\$2,153,031	\$ 1,854,670	\$1,221,783
Investments not subject to interest-rate risk	29,655,629				
Total	\$34,948,210				
Investments held by City:					
Pension Trust Funds	\$32,602,573				
Retired Employees' Insurance Trust Fund	2,345,637				
Total	\$34,948,210				

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, 2023.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. DEPOSITS AND INVESTMENTS

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	\$ 18,404,181	\$ 18,347,126	\$ 57,055	\$ -
Corporate bonds	3,628,929	-	3,628,929	-
U.S. Government Obligations	704,509	-	704,509	-
Municipal obligations	117,069	-	117,069	-
Mortgage backed securities	842,076	-	842,076	-
Common stock	11,251,446	11,251,446	-	-
Total investments	<u>\$ 34,948,210</u>	<u>\$ 29,598,572</u>	<u>\$ 5,349,638</u>	<u>\$ -</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

5. RECEIVABLES

Receivables at September 30, 2023, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>					<u>Total</u>
	<u>General</u>	<u>Non-Major</u>	<u>Natural Gas</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Sundial Utilities</u>	<u>Non-Major</u>	
Utility taxes and franchise fees	\$ 180,213	\$ -	\$ 4,889	\$ -	\$ -	\$ -	\$ -	\$ 185,102
Accounts, less allowance for doubtful accounts	8,730	285	400,249	1,148,160	168,898	68,638	46,730	1,841,690
	<u>\$ 188,943</u>	<u>\$ 285</u>	<u>\$ 405,138</u>	<u>\$ 1,148,160</u>	<u>\$ 168,898</u>	<u>\$ 68,638</u>	<u>\$ 46,730</u>	<u>\$ 2,026,792</u>

As of September 30, 2023, the City has estimated \$66,000 as an allowance for uncollectible accounts related to business-type activities.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2023, were \$747,973. The receivables consist primarily of amounts due from the State of Florida relating to intergovernmental revenues and various government agencies for grant reimbursements.

Lease as Lessor

The City leases space to multiple unrelated parties for cellular communications towers. The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term, including options reasonably certain to be exercised. These agreements have varying terms, including inception dates from January 1998 through May 2014 and have terms with renewals options through March 2065. During the year ended September 30, 2023, principal and interest received were \$163,883 and \$25,248, respectively. At September 30, 2023, the City has \$3,617,586 in lease receivables.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, 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	1,703,329	1,110,329	-	2,813,658
Total capital assets not being depreciated	4,943,511	1,110,329	-	6,053,840
Capital assets being depreciated:				
Buildings	9,568,851	13,689	-	9,582,540
Improvements other than buildings	13,380,570	401,970	-	13,782,540
Machinery and equipment	6,161,651	399,809	-	6,561,460
Total capital assets being depreciated	29,111,072	815,468	-	29,926,540
Less accumulated depreciation:				
Buildings	(8,795,211)	(97,552)	-	(8,892,763)
Improvements other than buildings	(8,645,844)	(671,115)	-	(9,316,959)
Machinery and equipment	(5,300,376)	(335,854)	-	(5,636,230)
Total accumulated depreciation	(22,741,431)	(1,104,521)	-	(23,845,952)
Total capital assets being depreciated, net	6,369,641	(289,053)	-	6,080,588
Governmental activities, net	<u>\$ 11,313,152</u>	<u>\$ 821,276</u>	<u>\$ -</u>	<u>\$ 12,134,428</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,016,777	\$ -	\$ -	\$ 1,016,777
Construction in progress	4,057,058	1,423,941	(359,250)	5,121,749
Total capital assets not being depreciated	5,073,835	1,423,941	(359,250)	6,138,526
Capital assets being depreciated:				
Buildings	26,000	-	-	26,000
Improvements other than buildings	53,669,274	209,791	359,250	54,238,315
Machinery and equipment	4,037,025	87,742	-	4,124,767
Total capital assets being depreciated	57,732,299	297,533	359,250	58,389,082
Less accumulated depreciation:				
Buildings	(26,000)	-	-	(26,000)
Improvements other than buildings	(42,815,418)	(2,008,157)	-	(44,823,575)
Machinery and equipment	(2,593,397)	(192,444)	-	(2,785,841)
Total accumulated depreciation	(45,434,815)	(2,200,601)	-	(47,635,416)
Total capital assets being depreciated, net	12,297,484	(1,903,068)	359,250	10,753,666
Business-type activities, net	<u>\$ 17,371,319</u>	<u>\$ (479,127)</u>	<u>\$ -</u>	<u>\$ 16,892,192</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. CAPITAL ASSETS

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

Governmental activities

General government	\$ 649,449
Public safety	222,715
Transportation	204,149
Culture and recreation	28,208
	28,208

Total depreciation expense – governmental activities	\$ 1,104,521
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Business-type activities

Natural gas	\$ 167,498
Water and sewer	1,722,389
Sanitation	50,469
Sundial utilities	219,287
Non-major	40,958
	40,958

Total depreciation expense – business-type activities	\$ 2,200,601
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Construction Commitments

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

7. 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.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

Plan Membership as of October 1, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	55
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	13
Active Plan Members	78
Total	146

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 \$419,141 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2023 was 11.9% of payroll.

Net Pension Liability of the Sponsor

The City's net pension liability was measured as of September 30, 2022, 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, 2021, updated to September 30, 2022 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.30%
Investment Rate of Return	7.30%

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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 Healthy Retiree Lives:

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

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

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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Fixed income	28.00%	2.50%
Domestic Equity	52.00%	7.50%
Real Estate	10.00%	4.50%
International Equity	10.00%	8.50%
Total	100%	

Net Pension Liability of the Sponsor – Discount Rate

The discount rate used to measure the total pension liability was 7.30%. 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, 2023**

7. DEFINED BENEFIT PENSION PLANS

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, 2022	\$ 17,249,929	\$ 16,977,081	\$ 272,848
Changes:			
Service cost	459,538	-	459,538
Interest	1,264,219	-	1,264,219
Differences between projected and actual experience	151,494	-	151,494
Change of assumptions	172,509	-	172,509
Contributions – employer	-	524,280	(524,280)
Contributions – employee	-	367,130	(367,130)
Net investment income	-	(2,174,575)	2,174,575
Benefit payments, including refunds of employee contributions	(1,250,861)	(1,250,861)	-
Administrative expenses	-	(46,997)	46,997
Net changes	<u>796,899</u>	<u>(2,581,023)</u>	<u>3,377,922</u>
Reporting Period Ending September 30, 2023	<u>\$ 18,046,828</u>	<u>\$ 14,396,058</u>	<u>\$ 3,650,770</u>

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

	1% Decrease 6.30%	Current Discount Rate 7.30%	1% Increase 8.30%
	Sponsor's Net Pension Liability	\$ 5,549,352	\$ 3,650,770

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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

For the year ended September 30, 2023, the City recognized pension expense of \$622,970. On September 30, 2023, 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	\$ 535,000	\$ -
Differences between Expected and Actual Experience	121,599	108,234
Changes in assumptions	295,784	6,510
Net difference between Projected and Actual Earnings on Pension Plan investments	1,666,773	-
Total	\$ 2,619,156	\$ 114,744

Deferred outflows of resources related to pensions of \$535,000, 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, 2023. 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>	
2024	\$ 508,689
2025	323,863
2026	388,391
2027	748,469
	\$ 1,969,412

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, 2023**

7. DEFINED BENEFIT PENSION PLANS

Plan Membership as of October 1, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	17
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	12
Total	34

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 2023, employees contributed \$82,959 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 15.3% of total projected payroll. For fiscal year 2023, the State contributed \$124,542 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2023 was 6.7% of payroll.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2022, 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, 2021, updated to September 30, 2022, using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	Service Based
Discount Rate	7.25%
Investment Rate of Return	7.25%

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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, 2022, 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	<u>100%</u>	

Net Pension Liability of the Sponsor – Discount Rate:

The discount rate used to measure the total pension liability was 7.25%. 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, 2023**

7. DEFINED BENEFIT PENSION PLANS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting period ending			
September 30, 2022	\$ 9,500,639	\$ 10,384,040	\$ (883,401)
Changes:			
Service cost	140,262	-	140,262
Interest	678,834	-	678,834
Difference between projected and actual experience	31,914	-	31,914
Contributions – employer	-	133,484	(133,484)
Contributions – state	-	72,154	(72,154)
Contributions – employee	-	105,673	(105,673)
Net investment income	-	(1,252,646)	1,252,646
Benefit payments, including			
Refunds of employee contributions	(450,248)	(450,248)	-
Administrative expenses	-	(44,876)	44,876
Net changes	<u>400,762</u>	<u>(1,436,459)</u>	<u>1,837,221</u>
Reporting period ending			
September 30, 2023	<u>\$ 9,901,401</u>	<u>\$ 8,947,581</u>	<u>\$ 953,820</u>

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

	1% Decrease	Current Discount	1% Increase
	6.25%	Rate	8.25%
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
Sponsor's Net Pension Liability	\$ 2,011,871	\$ 953,820	\$ 73,406

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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

For the year ended September 30, 2023, the City recognized pension expense of \$435,285. On September 30, 2023, 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	\$ 250,984	\$ -
Differences between Expected and Actual Experience	99,231	-
Net difference between Projected and Actual Earnings on Pension Plan investments	839,977	-
Changes of assumptions	80,046	-
Total	\$ 1,270,238	\$ -

Deferred outflows of resources related to pensions of \$250,984 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, 2023. 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 September 30:		
2024		\$ 350,329
2025		118,998
2026		150,162
2027		399,765
		\$ 1,019,254

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	15
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	16
Total	33

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 2023, employees contributed \$70,559 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 6.5% of total projected payroll. For fiscal year 2023, the State contributed \$118,878 to the Plan. The City is required to contribute at an actuarially determined rate; the contribution rate for 2023 was 64.5% of payroll.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2021, updated to September 30, 2022, using the following actuarial assumptions applied to all measurement periods.

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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, 2022, 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%	

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Reporting period ending			
September 30, 2022	\$ 10,098,818	\$ 6,966,301	\$ 3,132,517
Changes:			
Service cost	219,556	-	219,556
Interest	780,876	-	780,876
Difference between expected and actual experience	227,683	-	-
Contributions – employer	-	523,481	(523,481)
Contributions – state	-	94,531	(94,531)
Contributions – employee	-	66,328	(66,328)
Net investment income	-	(889,789)	889,789
Benefit payments, including			
Refunds of employee contributions	(484,162)	(484,162)	-
Administrative expenses	-	(28,896)	28,896
Net changes	<u>743,953</u>	<u>(718,507)</u>	<u>1,462,460</u>
Reporting period ending			
September 30, 2023	<u>\$ 10,842,771</u>	<u>\$ 6,247,794</u>	<u>\$ 4,594,977</u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 5,783,004	\$ 4,594,977	\$ 3,591,757

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

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

For the year ended September 30, 2023, the City recognized pension expense of \$602,835. On September 30, 2023, 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	\$ 708,121	\$ -
Changes of assumptions	-	300,399
Net difference between Projected and Actual Earnings on Pension Plan investments	930,239	-
Differences between Expected and Actual Experience	280,332	48,168
Total	\$ 1,918,692	\$ 348,567

Deferred outflows of resources related to pensions of \$708,121 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, 2023.

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
September 30:**

2024	\$ 186,296
2025	167,726
2026	175,182
2027	332,800
	\$ 862,004

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

Combined Plan Reporting

Aggregate pension expense for all plans was \$1,661,090 for fiscal year 2023. 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	\$ 2,619,156	\$ 114,744
Police Officers' Retirement Plan	1,270,238	-
Fire Fighters' Retirement Plan	1,918,692	348,567
Total	<u>\$ 5,808,086</u>	<u>\$ 463,311</u>

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
General Employees' Retirement Plan	\$ 18,046,828	\$ 14,396,058	\$ 3,650,770
Police Officers' Retirement Plan	9,901,401	8,947,581	953,820
Firefighters' Retirement Plan	10,842,771	6,247,794	4,594,977
Balances at September 30, 2023	<u>\$ 38,791,000</u>	<u>\$ 29,591,433</u>	<u>\$ 9,199,567</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. DEFINED BENEFIT PENSION PLANS

Fund Financial Statements

The following are the financial statements for the individual pension trust funds (GERP, PORP, FRP) for the year ended September 30, 2023.

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	\$ 15,610,441	\$ 9,646,342	\$ 7,345,790	\$ 32,602,573
TOTAL ASSETS	<u>\$ 15,610,441</u>	<u>\$ 9,646,342</u>	<u>\$ 7,345,790</u>	<u>\$ 32,602,573</u>
FIDUCIARY NET POSITION	<u>\$ 15,610,441</u>	<u>\$ 9,646,342</u>	<u>\$ 7,345,790</u>	<u>\$ 32,602,573</u>
ADDITIONS				
Contributions				
Employer	\$ 535,500	\$ 126,442	\$ 589,243	\$ 1,251,185
Plan members	419,141	82,959	70,559	572,659
State of Florida	-	124,542	118,878	243,420
Total contributions	954,641	333,943	778,680	2,067,264
Investment income	1,539,225	977,839	860,150	3,377,214
Less investment expense	(110,732)	(135,951)	(72,934)	(319,617)
Net investment	1,428,493	841,888	787,216	3,057,597
TOTAL DEDUCTIONS	<u>2,383,134</u>	<u>1,175,831</u>	<u>1,565,896</u>	<u>5,124,861</u>
DEDUCTIONS				
Benefits paid and administrative costs	1,168,412	462,748	453,893	2,085,053
NET CHANGE	1,214,722	713,083	1,112,003	3,039,808
FIDUCIARY NET POSITION, BEGINNING	<u>14,395,719</u>	<u>8,933,259</u>	<u>6,233,787</u>	<u>29,562,765</u>
FIDUCIARY NET POSITION, ENDING	<u>\$ 15,610,441</u>	<u>\$ 9,646,342</u>	<u>\$ 7,345,790</u>	<u>\$ 32,602,573</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. 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 \$1,183,189 as of September 30, 2023. Contributions and distributions made during the fiscal year ended September 30, 2023, were \$135,598 and \$44,371, respectively. The Plan had net earnings of \$110,479.

9. 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, 2023**

10. 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					
Notes payable	\$ 656,810	\$ -	\$ (125,300)	\$ 531,510	\$ 129,035
Compensated absences	<u>647,137</u>	<u>307,967</u>	<u>(271,901)</u>	<u>683,203</u>	<u>617,470</u>
Total governmental activities	<u>\$ 1,303,947</u>	<u>\$ 307,967</u>	<u>\$ (397,201)</u>	<u>\$ 1,214,713</u>	<u>\$ 746,505</u>
Business-type activities					
<u>Natural Gas</u>					
Note payable	\$ 478,685	\$ -	\$ (73,245)	\$ 405,440	\$ 75,743
<u>Water and Sewer</u>					
Note payable	850,997	-	(130,213)	720,784	134,655
State revolving loans payable	2,575,739	-	(277,068)	2,298,671	283,758
<u>Sundial</u>					
Revenue note payable	1,768,431	-	(148,163)	1,620,268	150,563
<u>Accumulated, vested annual compensation for Proprietary Funds</u>					
Compensated absences	<u>163,804</u>	<u>107,553</u>	<u>(124,314)</u>	<u>147,043</u>	<u>140,133</u>
Total business-type activities	<u>\$ 5,837,656</u>	<u>\$ 107,553</u>	<u>\$ (753,003)</u>	<u>\$ 5,192,206</u>	<u>\$ 784,852</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

Notes payable – Financed equipment agreement bearing interest of 2.04% per annum. Principal and interest payments of \$139,891 will be made on an annual basis until January 29, 2027. The notes are 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, 2023**

10. LONG-TERM DEBT

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 4.5%. Annual principal and interest payments of \$176,800 began June 15, 2014, and will be paid until maturity on June 5, 2033. The note is secured by revenues generated from the acquired utility system.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. LONG-TERM DEBT

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2023, are as follows:

Governmental Activities

Year Ending September 30	Notes Payable	
	Principal	Interest
2024	129,035	10,856
2025	131,667	8,224
2026	134,353	5,538
2027	136,455	2,797
Total	<u>\$ 531,510</u>	<u>\$ 27,415</u>

Business-Type Activities

Year Ending September 30	State Revolving Loans		Revenue Notes Payable	
	Principal	Interest	Principal	Interest
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	153,431	27,329	160,559	33,148
2029	157,044	23,716	163,160	37,920
2030-2034	842,506	61,294	679,504	77,058
2035-2037	46,808	604	-	-
Total	<u>\$ 2,298,671</u>	<u>\$ 282,620</u>	<u>\$ 1,620,268</u>	<u>\$ 331,742</u>

Business-Type Activities

Year Ending September 30	Note Payable	
	Principal	Interest
2024	\$ 210,630	\$ 38,097
2025	217,752	30,978
2026	225,114	23,614
2027	232,725	16,003
2028	240,003	8,134
Total	<u>\$ 1,126,224</u>	<u>\$ 116,826</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

11. CAPITAL CONTRIBUTIONS

For the year ended September 30, 2023, the Water and Sewer Fund had \$2,913,603 of capital contributions related to impact fees and capital grant funding for engineering fees associated with the planned new wastewater treatment plan.

12. UNEARNED REVENUE

For the year ended September 30, 2023, approximately \$5,043,000 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, 2023.

13. INTERFUND BALANCES

The composition of interfund balances as of September 30, 2023, is as follows:

Transfers Out	Transfers In Governmental Activities
	General
Natural Gas	1,269,765
Water and Sewer	3,432,319
Sanitation	38,993
Total	\$ 4,741,077

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

14. 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, 2023**

14. POST-EMPLOYEE HEALTHCARE BENEFITS

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, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	49
Active Plan Members	109
Total	158

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, 2023:

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%	

Net OPEB Liability (Asset)

The City's Net OPEB Liability (asset) was measured as of September 30, 2022. The OPEB Liability (asset) used to calculate the OPEB Liability (asset) was determined as of that date using a roll-forward of the October 1, 2021 valuation results at a discount rate of 7.20%.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

14. POST-EMPLOYEE HEALTHCARE BENEFITS

The components of the Net OPEB Liability (asset) 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, 2022	\$ 2,912,252	\$ 3,075,757	\$ (1,009,949)
Changes:			
Service cost	109,196	-	109,196
Interest	188,733	-	188,733
Differences from Experience	(462,824)		(462,824)
Changes of Assumptions	50,144		50,144
Explicit contributions - employer	-	92,202	(92,202)
Implicit contributions - employer	-	78,515	(78,515)
Change in benefit terms	(1,629,088)	-	(1,629,088)
Net investment income	-	(570,318)	570,318
Explicit benefit payments	(7,416)	(7,416)	-
Implicit benefit payments	(78,515)	(78,515)	-
Administrative expenses	-	(38,033)	38,033
Net changes	<u>(1,829,770)</u>	<u>(523,565)</u>	<u>(1,306,205)</u>
Reporting Period Ending September 30, 2023	<u>\$ 1,082,482</u>	<u>\$ 2,552,192</u>	<u>\$ (2,316,154)</u>

Actuarial Assumptions

The OPEB Liability (asset) was determined by an actuarial valuation as of October 1, 2010, using the following actuarial assumptions:

Salary increases	Varies
Discount rate	7.20%
Investment rate of return	7.20%
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, 2023 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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

14. POST-EMPLOYEE HEALTHCARE BENEFITS

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, 7.20%.

	1% Decrease	Current Discount Rate	1% Increase
	6.20%	7.20%	8.20%
Net OPEB Asset	\$ (2,207,527)	\$ (2,316,154)	\$ (2,411,238)

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:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	3.00%-6.50%	4.00%-7.50%	5.00%-8.50%
Net OPEB Asset	\$ (2,422,552)	\$ (2,316,154)	\$ (2,191,642)

For the year ended September 30, 2023, the City will recognize a reduction in OPEB expense of \$1,842,023. On September 30, 2023, 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
Changes of assumptions	\$ 43,876	\$ 1,064,758
Net difference between Projected and Actual Earnings on Pension Plan investments	477,458	-
Differences between Expected and Actual Experience	-	667,518
Total	\$ 521,334	\$ 1,732,276

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

15. 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.

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	9/30/23 9/30/22	9/30/22 9/30/21	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	9/30/15 9/30/14	9/30/14 9/30/13
Total Pension Liability										
Service cost	\$ 459,538	\$ 390,749	\$ 363,386	\$ 333,095	\$ 327,894	\$ 313,360	\$ 318,891	\$ 300,174	\$ 299,907	\$ 277,692
Interest	1,264,219	1,252,733	1,244,701	1,202,029	1,228,908	1,203,306	1,131,940	1,107,941	1,073,644	1,025,082
Differences between expected and actual experience	151,494	(74,062)	98	(191,391)	2,178	(198,798)	(39,135)	(64,838)	-	-
Changes of benefit terms	-	-	604,871	-	-	-	-	-	-	-
Changes of assumptions	172,509	160,713	(16,276)	-	368,084	-	444,060	-	-	-
Benefit payments, including refunds of employee contributions	(1,250,861)	(1,585,133)	(1,439,227)	(1,380,625)	(1,152,516)	(872,230)	(1,044,056)	(1,079,979)	(810,211)	(625,717)
Net change in total pension liability	796,899	145,000	757,553	(36,892)	774,548	445,638	811,700	263,298	563,340	677,057
Total pension liability – beginning	<u>17,249,929</u>	<u>17,104,929</u>	<u>16,347,376</u>	<u>16,384,268</u>	<u>15,609,720</u>	<u>15,164,082</u>	<u>14,352,382</u>	<u>14,089,084</u>	<u>13,525,744</u>	<u>12,848,687</u>
Total pension liability – ending (a)	<u>\$ 18,046,828</u>	<u>\$ 17,249,929</u>	<u>\$ 17,104,929</u>	<u>\$ 16,347,376</u>	<u>\$ 16,384,268</u>	<u>\$ 15,609,720</u>	<u>\$ 15,164,082</u>	<u>\$ 14,352,382</u>	<u>\$ 14,089,084</u>	<u>\$ 13,525,744</u>
Plan Fiduciary Net Position										
Contributions – employer	\$ 524,280	\$ 524,068	\$ 493,709	\$ 598,201	\$ 500,108	\$ 410,250	\$ 538,937	\$ 463,611	\$ 515,239	\$ 431,650
Contributions – member	367,130	308,087	275,815	261,223	227,322	212,565	229,488	211,695	216,487	212,636
Net investment income	(2,174,575)	2,965,611	1,195,781	449,252	1,160,753	1,332,803	938,420	173,587	1,056,606	1,289,483
Benefit payments, including refunds of employee contributions	(1,250,861)	(1,585,133)	(1,439,227)	(1,380,625)	(1,152,516)	(872,230)	(1,044,056)	(1,079,979)	(810,211)	(625,717)
Administrative expenses	(46,997)	(52,529)	(56,174)	(78,721)	(51,942)	(51,168)	(51,481)	(33,097)	(30,596)	(22,136)
Net change in plan fiduciary net position	(2,581,023)	2,160,104	469,904	(150,670)	683,725	1,032,220	611,308	(264,183)	947,525	1,285,916
Plan fiduciary net position – beginning	<u>16,977,081</u>	<u>14,816,977</u>	<u>14,347,073</u>	<u>14,497,743</u>	<u>13,814,018</u>	<u>12,781,798</u>	<u>12,170,490</u>	<u>12,435,483</u>	<u>11,487,958</u>	<u>10,202,042</u>
Plan fiduciary net position – ending (b)	<u>\$ 14,396,058</u>	<u>\$ 16,977,081</u>	<u>\$ 14,816,977</u>	<u>\$ 14,347,073</u>	<u>\$ 14,497,743</u>	<u>\$ 13,814,018</u>	<u>\$ 12,781,798</u>	<u>\$ 12,171,300</u>	<u>\$ 12,435,483</u>	<u>\$ 11,487,958</u>
Net pension liability – ending (a)-(b)	<u>\$ 3,650,770</u>	<u>\$ 272,848</u>	<u>\$ 2,287,952</u>	<u>\$ 2,000,303</u>	<u>\$ 1,886,525</u>	<u>\$ 1,795,702</u>	<u>\$ 2,382,284</u>	<u>\$ 2,181,082</u>	<u>\$ 1,653,601</u>	<u>\$ 2,037,786</u>
Plan fiduciary net position as a percentage of the total pension liability	79.77%	98.42%	86.62%	87.76%	88.49%	88.50%	84.29%	84.80%	88.26%	84.93%
Covered payroll	\$ 3,671,294	\$ 3,080,869	\$ 2,758,152	\$ 2,612,232	\$ 2,273,218	\$ 2,125,652	\$ 2,294,878	\$ 2,534,951	\$ 2,164,868	\$ 2,126,357
Net pension liability as a percentage of covered payroll	99.44%	8.86%	82.95%	76.57%	82.99%	84.48%	103.81%	86.04%	76.38%	95.83%

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**

Reporting Period ending Measurement Date	9/30/23 9/30/22	9/30/22 9/30/21	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	9/30/15 9/30/14	9/30/14 9/30/13
Total Pension Liability										
Service cost	\$ 140,262	\$ 182,566	\$ 209,596	\$ 159,912	\$ 179,528	\$ 193,067	\$ 179,035	\$ 188,061	\$ 207,626	\$ 192,246
Interest	678,834	652,003	620,470	632,386	628,999	581,666	527,269	516,585	481,214	445,254
Differences between expected and actual experience	31,914	233,865	366,667	(641,146)	(329,756)	197,192	75,137	(185,417)	-	-
Changes of assumptions^	-	240,137	(204,532)	-	489,638	265,465	-	(44,471)	-	-
Benefit payments, including refunds of employee contributions	(450,248)	(742,578)	(346,884)	(372,550)	(386,395)	(347,056)	(414,900)	(249,463)	(204,802)	(201,946)
Net change in total pension liability	400,762	565,993	645,317	(221,398)	582,014	890,334	366,541	225,295	484,038	435,554
Total pension liability – beginning	9,500,639	8,934,646	8,289,329	8,510,727	7,928,713	7,038,379	6,671,838	6,446,543	5,962,505	5,526,951
Total pension liability – ending (a)	<u>\$ 9,901,401</u>	<u>\$ 9,500,639</u>	<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>	<u>\$ 6,446,543</u>	<u>\$ 5,962,505</u>
Plan Fiduciary Net Position										
Contributions – employer	\$ 133,484	\$ 115,917	\$ 83,749	\$ 66,621	\$ 64,599	\$ 76,619	\$ 82,582	\$ 92,468	\$ 165,216	\$ 185,276
Contributions – state	105,673	96,437	97,973	92,349	90,590	90,756	89,139	80,630	79,290	82,512
Contributions – member	72,154	72,448	67,675	62,702	60,092	65,909	64,142	60,142	45,594	48,250
Net investment income	(1,252,646)	1,902,952	826,186	245,295	688,375	760,325	525,026	82,306	535,784	695,949
Benefit payments, including refunds of employee contributions	(450,248)	(742,578)	(346,884)	(372,550)	(386,395)	(347,056)	(414,900)	(249,463)	(204,802)	(201,846)
Administrative expenses	(44,876)	(45,064)	(45,116)	(57,526)	(47,116)	(42,971)	(45,128)	(43,647)	(38,805)	(32,153)
Net change in plan fiduciary net position	(1,436,459)	1,400,112	683,583	36,891	470,145	603,582	300,861	22,436	582,277	777,988
Plan fiduciary net position – beginning	10,384,040	8,983,928	8,300,345	8,263,454	7,793,309	7,189,727	6,888,866	6,866,530	6,284,253	5,506,265
Plan fiduciary net position – ending (b)	<u>\$ 8,947,581</u>	<u>\$ 10,384,040</u>	<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>	<u>\$ 6,866,530</u>	<u>\$ 6,284,253</u>
Net pension liability (asset) – ending (a)-(b)	<u>\$ 953,820</u>	<u>\$ (883,401)</u>	<u>\$ (49,282)</u>	<u>\$ (11,016)</u>	<u>\$ 247,273</u>	<u>\$ 135,404</u>	<u>\$ (151,348)</u>	<u>\$ (217,128)</u>	<u>\$ (419,987)</u>	<u>\$ (321,748)</u>
Plan fiduciary net position as a percentage of the total pension liability	90.37%	109.30%	100.55%	100.13%	97.09%	98.29%	102.15%	103.25%	106.51%	105.40%
Covered employee payroll	\$ 901,920	\$ 905,606	\$ 845,939	\$ 783,772	\$ 751,149	\$ 823,863	\$ 801,776	\$ 892,823	\$ 733,479	\$ 804,168
Net pension liability (asset) as a percentage of covered employee payroll	105.75%	-97.55%	-5.83%	-1.41%	32.92%	16.44%	-18.88%	-24.32%	-57.26%	-40.01%

See notes to required supplementary information.

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

Reporting Period ending Measurement Date	9/30/23 9/30/22	9/30/22 9/30/21	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	9/30/15 9/30/14	9/30/14 9/30/13
Total Pension Liability										
Service cost	\$ 219,556	\$ 195,554	\$ 172,898	\$ 158,852	\$ 152,457	\$ 138,442	\$ 120,267	\$ 112,024	\$ 114,365	\$ 106,139
Interest	780,876	748,217	742,067	699,358	661,185	617,110	584,392	567,389	544,624	523,391
Differences between expected and actual experience	227,683	(80,281)	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	(484,162)	(448,018)	(459,630)	(420,388)	(423,214)	(420,388)	(787,258)	(361,274)	(364,527)	(363,052)
Net change in total pension liability	743,953	415,472	50,905	556,197	485,208	556,103	220,562	424,135	294,462	266,478
Total pension liability – beginning	10,098,818	9,683,346	9,632,441	9,076,244	8,591,036	8,034,933	7,814,371	7,390,236	7,095,774	6,829,296
Total pension liability – ending (a)	<u>\$ 10,842,771</u>	<u>\$ 10,098,818</u>	<u>\$ 9,683,346</u>	<u>\$ 9,632,441</u>	<u>\$ 9,076,244</u>	<u>\$ 8,591,036</u>	<u>\$ 8,034,933</u>	<u>\$ 7,814,371</u>	<u>\$ 7,390,236</u>	<u>\$ 7,095,774</u>
Plan Fiduciary Net Position										
Contributions – employer	\$ 523,481	\$ 486,772	\$ 425,560	\$ 415,047	\$ 383,565	\$ 388,046	\$ 349,105	\$ 272,667	\$ 247,125	\$ 188,126
Contributions – state	94,531	82,069	70,686	71,083	75,115	77,460	81,560	77,020	85,115	92,339
Contributions – employee	66,328	63,613	62,755	61,550	56,922	54,714	50,925	44,832	43,983	41,551
Net investment income	(889,789)	839,352	461,216	301,313	497,296	527,323	414,969	(202,680)	427,274	252,199
Benefit payments, including refunds of employee contributions	(484,162)	(448,018)	(459,630)	(420,388)	(423,214)	(420,388)	(787,258)	(361,274)	(264,527)	(363,052)
Administrative expenses	(28,896)	(22,553)	(31,915)	(29,080)	(21,918)	(17,120)	(24,768)	(30,222)	(14,201)	(16,577)
Net change in plan fiduciary net position	(718,507)	1,001,235	528,672	399,525	567,766	610,035	84,533	(199,657)	524,769	194,586
Plan fiduciary net position – beginning	6,966,301	5,965,066	5,436,394	5,036,869	4,469,103	3,859,068	3,774,535	4,074,192	3,549,423	3,354,837
Plan fiduciary net position – ending (b)	<u>\$ 6,247,794</u>	<u>\$ 6,966,301</u>	<u>\$ 5,965,066</u>	<u>\$ 5,436,394</u>	<u>\$ 5,036,869</u>	<u>\$ 4,469,103</u>	<u>\$ 3,859,068</u>	<u>\$ 3,874,535</u>	<u>\$ 4,074,192</u>	<u>\$ 3,549,423</u>
Net pension liability – ending (a)-(b)	<u>\$ 4,594,977</u>	<u>\$ 3,132,517</u>	<u>\$ 3,718,280</u>	<u>\$ 4,196,047</u>	<u>\$ 4,039,375</u>	<u>\$ 4,121,933</u>	<u>\$ 4,175,865</u>	<u>\$ 3,939,836</u>	<u>\$ 3,316,044</u>	<u>\$ 3,546,351</u>
Plan fiduciary net position as a percentage of the total pension liability	57.62%	68.98%	56.44%	55.50%	52.02%	48.03%	48.03%	49.58%	55.13%	50.02%
Covered employee payroll	\$ 1,020,434	\$ 978,667	\$ 965,459	\$ 946,927	\$ 875,724	\$ 841,749	\$ 783,461	\$ 811,423	\$ 676,661	\$ 639,252
Net pension liability as a percentage of covered employee payroll	450.30%	320.08%	385.13%	443.12%	461.26%	489.69%	533.00%	485.55%	490.06%	554.77%

See notes to required supplementary information.

**CITY OF MILTON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS– UNAUDITED**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Employees' Retirement Plan											
Actuarially determined contribution	\$ 498,777	\$ 532,338	\$ 523,748	\$ 493,709	\$ 598,201	\$ 500,108	\$ 410,250	\$ 493,399	\$ 463,611	\$ 515,239	\$ 431,650
Contributions in relation to the actuarially determined contributions	535,500	524,280	524,068	493,709	598,201	500,108	410,250	538,937	463,611	515,239	431,650
Contribution deficiency (excess)	\$ (36,723)	\$ 8,058	\$ (320)	\$ -	\$ -	\$ -	\$ -	\$ (45,538)	\$ -	\$ -	\$ -
Covered employee payroll*	\$ 4,191,405	\$ 3,671,294	\$ 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
Net pension liability as a percentage of covered employee payroll	12.78%	14.28%	17.01%	17.90%	22.90%	22.00%	19.30%	23.48%	18.29%	23.80%	17.03%
Police Officers' Retirement Plan											
Actuarially determined contribution	\$ 266,505	\$ 198,422	\$ 207,383	\$ 203,871	\$ 154,403	\$ 150,981	\$ 158,182	\$ 165,968	\$ 158,624	\$ 244,248	\$ 267,788
Contributions in relation to the actuarially determined contribution	250,984	239,157	212,354	181,722	158,970	155,189	167,375	171,721	173,098	244,506	267,788
Contribution deficiency (excess)	\$ 15,521	\$ (40,735)	\$ (4,971)	\$ 22,149	\$ (4,567)	\$ (4,208)	\$ (9,193)	\$ (5,753)	\$ (14,474)	\$ (258)	\$ -
Covered employee payroll*	\$ 1,036,984	\$ 901,920	\$ 905,606	\$ 845,989	\$ 783,772	\$ 751,149	\$ 823,863	\$ 801,776	\$ 892,823	\$ 733,479	\$ 2,534,951
Net pension liability as a percentage of covered employee payroll	24.20%	26.52%	23.45%	21.48%	20.28%	20.66%	20.32%	21.42%	19.39%	33.34%	10.56%
Firefighters' Retirement Plan											
Actuarially determined contribution	\$ 638,498	\$ 604,068	\$ 553,926	\$ 496,190	\$ 496,190	\$ 467,637	\$ 470,538	\$ 406,616	\$ 349,687	\$ 332,240	\$ 279,992
Contributions in relation to the actuarially determined contributions	708,121	618,012	568,841	496,246	486,130	458,680	465,506	430,665	349,687	332,240	279,992
Contribution deficiency (excess)	\$ (69,623)	\$ (13,944)	\$ (14,915)	\$ (56)	\$ 10,060	\$ 8,957	\$ 5,032	\$ (24,049)	\$ -	\$ -	\$ -
Covered employee payroll*	\$ 1,085,535	\$ 1,020,434	\$ 978,667	\$ 965,459	\$ 946,927	\$ 875,724	\$ 841,749	\$ 783,461	\$ 811,423	\$ 676,661	\$ 2,164,868
Net pension liability as a percentage of covered employee payroll	65.23%	60.56%	58.12%	51.40%	51.34%	52.38%	55.30%	54.97%	43.10%	49.10%	12.93%

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, 2022

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

7.30% 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.

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, 2022

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: 7.25% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Payroll growth: 0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the 10-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

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.

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, 2022

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 Credited Service or 25 years of Credited Service, regardless of age.

See notes to required supplementary information.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>General Employees' Retirement Plan</u>									
Annual Money-Weighted Rate of Return	-13.01%	20.64%	8.54%	3.17%	8.64%	10.55%	7.77%	1.41%	9.19%
*Net of Investment expense									
<u>Police Officers' Retirement Plan</u>									
Annual Money-Weighted Rate of Return	-12.24%	21.89%	10.08%	3.02%	9.01%	10.73%	7.80%	1.21%	8.55%
*Net of Investment expense									
<u>Firefighters' Retirement Plan</u>									
Annual Money-Weighted Rate of Return	-12.70%	14.02%	8.48%	5.98%	11.15%	13.69%	11.21%	-5.08%	11.98%

*Net of Investment expense

See notes to required supplementary information.

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

Reporting Period ending Measurement Date	9/30/23 9/30/22	9/30/22 9/30/21	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	\$ 109,196	\$ 145,782	\$ 166,554	\$ 172,157	\$ 175,165	\$ 166,713
Change of benefit terms	(1,629,088)	-	-	-	-	-
Differences between expected and actual experience	(462,824)	(175,765)	(9,163)	(112,149)	(269,273)	-
Changes of assumptions	50,144	(754,996)	(488,945)	(40,938)	(613,804)	-
Interest	188,733	260,296	286,276	265,202	292,828	286,716
Explicit benefit payments	(7,416)	(9,830)	(26,734)	(18,096)	(13,246)	(15,054)
Implicit benefit payments	(78,515)	(115,216)	(76,110)	(80,494)	(102,618)	(91,488)
Net change in total OPEB liability	(1,829,770)	(649,729)	(148,122)	185,682	(530,948)	346,887
Total OPEB liability – beginning	2,912,252	3,561,981	3,710,103	3,524,421	4,055,369	3,708,482
Total OPEB liability – ending (a)	<u>\$ 1,082,482</u>	<u>\$ 2,912,252</u>	<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	\$ 92,202	\$ 107,877	\$ 211,416	\$ 95,570	\$ 103,169	\$ 201,812
Implicit contributions - employer	78,515	115,216	76,110	80,494	102,618	91,488
Net investment income	(570,318)	748,473	51,086	83,728	213,611	233,075
Explicit benefit payments	(7,416)	(9,830)	(26,734)	(18,096)	(13,246)	(15,054)
Implicit benefit payments	(78,515)	(115,216)	(76,110)	(80,494)	(102,618)	(91,488)
Administrative expenses	(38,033)	(76)	(37,405)	(35,250)	(33,602)	(32,389)
Net change in plan fiduciary net position	(523,565)	846,444	198,363	125,952	269,932	387,444
Plan fiduciary net position – beginning	3,922,201	3,075,757	2,877,394	2,751,442	2,481,510	2,094,066
Plan fiduciary net position – ending (b)	<u>\$ 3,398,636</u>	<u>\$ 3,922,201</u>	<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>\$ (2,316,154)</u>	<u>\$ (1,009,949)</u>	<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 (asset)	313.97%	134.68%	86.35%	77.56%	78.07%	61.19%
Covered employee payroll	\$ 5,948,390	\$ 6,169,525	\$ 6,195,221	\$ 5,477,286	\$ 5,350,280	\$ 5,245,372
Net OPEB liability as a percentage of covered employee payroll	38.94%	16.37%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ -	\$ 146,360	\$ 235,066	\$ 247,658	\$ 247,086	\$ 321,320
Contributions in relation to the actuarially determined contributions	<u>92,202</u>	<u>107,877</u>	<u>211,416</u>	<u>95,570</u>	<u>103,169</u>	<u>201,812</u>
Contribution deficiency	<u>\$ (92,202)</u>	<u>\$ 38,483</u>	<u>\$ 23,650</u>	<u>\$ 152,088</u>	<u>\$ 143,917</u>	<u>\$ 119,508</u>
Covered employee payroll	\$ 5,948,390	\$ 6,169,525	\$ 6,195,221	\$ 5,477,286	\$ 5,245,372	\$ 5,838,317
Net OPEB liability as a percentage of covered employee payroll	1.55%	1.75%	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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return	-15.80%	18.95%	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, 2021

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 10/01/2020 valuation)

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

Healthcare Inflation: Initial rate of 7% in fiscal 2021, then 7.5% in fiscal 2022, 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.

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, 2023**

	<u>Police Special Investigation</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 229,394	\$ 229,394
Receivables	13	272	285
Restricted cash	11,067	-	11,067
TOTAL ASSETS	<u>\$ 11,080</u>	<u>\$ 229,666</u>	<u>\$ 240,746</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Restricted			
Public safety	\$ 11,080	\$ -	\$ 11,080
Assigned	-	229,666	229,666
Total fund balance	<u>11,080</u>	<u>229,666</u>	<u>240,746</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,080</u>	<u>\$ 229,666</u>	<u>\$ 240,746</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, 2023**

	<u>Police Special Investigation</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Fines and forfeits	\$ 633	\$ -	\$ 633
Miscellaneous	195	4,206	4,401
Total revenues	<u>828</u>	<u>4,206</u>	<u>5,034</u>
NET CHANGE IN FUND BALANCE	828	4,206	5,034
FUND BALANCE, BEGINNING	<u>10,252</u>	<u>225,460</u>	<u>235,712</u>
FUND BALANCE, ENDING	<u><u>\$ 11,080</u></u>	<u><u>\$ 229,666</u></u>	<u><u>\$ 240,746</u></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, 2023**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 652,391	\$ 201,512	\$ 853,903
Receivables, net	46,698	32	46,730
Total current assets	699,089	201,544	900,633
Capital assets			
Non-depreciable	23,850	519,404	543,254
Depreciable, net	329,431	-	329,431
Total capital assets	353,281	519,404	872,685
TOTAL ASSETS	<u>1,052,370</u>	<u>720,948</u>	<u>1,773,318</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,292	2,385	3,677
NET POSITION			
Net investment in capital assets	353,281	519,404	872,685
Unrestricted	697,797	199,159	896,956
TOTAL NET POSITION	<u>\$ 1,051,078</u>	<u>\$ 718,563</u>	<u>\$ 1,769,641</u>

**CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non-Major Funds</u>
OPERATING REVENUES			
Charges for services	\$ 229,711	\$ 39,065	\$ 268,776
OPERATING EXPENSES			
Operating	108,668	12,510	121,178
Total operating expenses	149,624	12,510	162,134
OPERATING INCOME	80,087	26,555	106,642
Interest income	17,411	5,142	22,553
CHANGE IN NET POSITION	97,498	31,697	129,195
NET POSITION, BEGINNING	953,580	686,866	1,640,446
NET POSITION, ENDING	<u>\$ 1,051,078</u>	<u>\$ 718,563</u>	<u>\$ 1,769,641</u>

**CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Stormwater Fund	Marina Fund	Total Major Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 227,119	\$ 39,033	\$ 266,152
Payments to suppliers	(112,474)	(12,257)	(124,731)
Net cash provided by operating activities	<u>114,645</u>	<u>26,776</u>	<u>141,421</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisitions of capital assets	(2,750)	-	(2,750)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	17,411	5,142	22,553
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,306	31,918	161,224
CASH AND CASH EQUIVALENTS, BEGINNING	<u>523,085</u>	<u>169,594</u>	<u>692,679</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 652,391</u></u>	<u><u>\$ 201,512</u></u>	<u><u>\$ 853,903</u></u>
	Stormwater Fund	Marina Fund	Total Non-Major Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income	\$ 80,087	\$ 26,555	\$ 106,642
Adjustments to reconcile operating income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation	40,956	-	40,956
Increase in assets:			
Accounts receivable	(2,592)	(32)	(2,624)
Increase (decrease) in liabilities:			
Accounts payable	(3,806)	253	(3,553)
Net cash provided by operating activities	<u><u>\$ 114,645</u></u>	<u><u>\$ 26,776</u></u>	<u><u>\$ 141,421</u></u>

**CITY OF MILTON, FLORIDA
SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

State Agency Pass-Through Entity State Project	State Assistance Listing Number	Contract/Grant Number	State Expenditures	Passed Through to Subrecipients
STATE PROJECTS:				
Florida Department of Environmental Protection				
Statewide Water Quality Restoration Projects	37.039	LPA0027	\$ 970,795	\$ -
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 970,795	\$ -

**CITY OF MILTON, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

1. Basis of Presentation

The information in the accompanying schedule of expenditures of state financial assistance (the Schedule) is presented in accordance with the requirements of *Chapter 10.550, Rules of the State of Florida Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. Summary of Significant Accounting Policies

The accompanying Schedule includes the state grant activity of the City for the year ended September 30, 2023. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

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, 2023.

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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 regard to the investments for the year ended September 30, 2023.

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Warren Averett, LLC

Pensacola, Florida
June 11, 2024

**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, 2023, 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 June 11, 2024.

Report on 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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*.

Purpose of this Report

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

Warren Averett, LLC

Pensacola Florida
June 11, 2024

**Independent Auditors' Report on Compliance for the Major State Project
and on Internal Control Over Compliance Required by
Chapter 10.550, Rules of the State of Florida Auditor General**

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

Report on Compliance for the Major State Project

Opinion on Each Major State Project

We have audited City of Milton, Florida (the City)'s compliance with the types of compliance requirements described in the Executive Officer of the Florida Governor's State Project Compliance Supplement that could have a direct and material effect on the City's major state project for the year ended September 30, 2023. The City's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 state projects for the year ended September 30, 2023.

Basis for Opinion on the Major State Project

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 Chapter 10.550, *Rules of the State of Florida Auditor General*. Our responsibilities under those standards and Chapter 10.550 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 state project 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 state project 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *Chapter 10.550*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
June 11, 2024

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2023**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

State Projects

Internal control over major state projects:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditors' report issued on compliance for major state projects: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*? _____ Yes X No

Identification of major state projects:

State Assistance Listing Number	Name of State Project
37.039	Statewide Water Quality Restoration Projects

Dollar threshold used to distinguish between type A and type B major state projects? \$300,000

- Auditee qualified as low-risk auditee for federal awards? _____ Yes X No

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, 2023, and have issued our report thereon dated June 11, 2024.

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; 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 State Project and Report on Internal Control Over Compliance; Schedule of Findings and Responses; and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 11, 2024, 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. The prior year finding has been remediated in the current year and not 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. We had no such findings.

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
June 11, 2024

**CITY OF MILTON, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Finding 2022-001: 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, 2022, an unreconciled difference of \$20 thousand existed.

Status:

The finding has been remediated.