CITY OF MILTON, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

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Warren Averett
CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof 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, budgetary comparison schedule for the General Fund, 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 non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance) and Chapter 10.550, *Rules of the State of Florida Auditor General* is presented for purposes of additional analysis and is 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 non-major fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2026, 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 the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Pensacola, Florida
September 1, 2026

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, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $75 million (net position), which represents an increase of $9 million from the prior year. Of this amount, $38 million represents net investment in capital assets (e.g., land, infrastructure, building, machinery and equipment), $18 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 decreased by $310 thousand from the prior year.

- The net position of the business-type activities of the City increased by $9 million from the prior year.

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.

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 of 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.

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 and Capital Projects Fund, which are considered major funds. Data from the other governmental funds (Police Special Investigation Fund, Community Redevelopment Agency 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. A budgetary comparison schedule is provided for the General Fund to demonstrate compliance with the budget.

Proprietary Funds
All proprietary 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.

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.

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 $75 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 $9 million during the fiscal year.

By far the largest portion of the City's net position, $38 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, $18 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.

Table 1
CITY OF MILTON, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2025 AND 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 16,366,261	$ 16,717,486	$ 36,277,520	$ 39,249,866	$ 52,643,781	$ 55,967,352
Capital assets	12,511,075	12,809,778	26,591,854	19,831,603	39,102,929	32,641,381
Total assets	28,877,336	29,527,264	62,869,374	59,081,469	91,746,710	88,608,733
Total deferred outflows of resources	3,277,621	4,207,109	267,624	344,997	3,545,245	4,552,106
Long-term liabilities outstanding	6,984,046	10,167,251	2,948,064	6,021,887	9,932,110	16,189,138
Other liabilities	802,663	628,605	2,063,862	4,478,195	2,866,525	5,106,800
Total liabilities	7,786,709	10,795,856	5,011,926	10,500,082	12,798,635	21,295,938
Total deferred inflows of resources	6,590,756	4,850,633	579,685	356,273	7,170,441	5,206,906
Net position						
Net investment in capital assets	12,451,186	12,290,064	25,055,372	15,431,158	37,506,558	27,721,222
Restricted	3,041,148	2,291,797	14,817,244	16,342,834	17,858,392	18,634,631
Unrestricted	2,285,158	3,506,023	17,672,771	16,796,119	19,957,929	20,302,142
Total net position	$ 17,777,492	$ 18,087,884	$ 57,545,387	$ 48,570,111	$ 75,322,879	$ 66,657,995

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, 2025 AND 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues						
Charges for services	$ 4,049,879	$ 3,547,126	$ 19,531,999	$ 19,042,320	$ 23,581,878	$ 22,589,446
Grants and contributions	347,650	672,022	7,467,847	2,596,880	7,815,497	3,268,902
General revenues						
Property taxes	1,803,308	1,641,685	-	-	1,803,308	1,641,685
Other taxes	3,032,612	2,806,050	-	-	3,032,612	2,806,050
Other revenue	2,266,486	3,852,635	1,231,814	1,876,840	3,498,300	5,729,475
TOTAL REVENUES	11,499,935	12,519,518	28,231,660	23,516,040	39,731,595	36,035,558
EXPENSES						
Primary government						
General government	7,560,890	6,393,718	-	-	7,560,890	6,393,718
Public safety	5,126,564	6,364,899	-	-	5,126,564	6,364,899
Transportation	1,746,578	1,961,638	-	-	1,746,578	1,961,638
Economic environment	88,094	164,592	-	-	88,094	164,592
Culture and recreation	1,715,969	1,776,772	-	-	1,715,969	1,776,772
Debt service interest	22,232	10,856	-	-	22,232	10,856
Business-type activities						
Natural gas	-	-	4,161,071	4,113,454	4,161,071	4,113,454
Water and sewer	-	-	7,841,663	7,177,399	7,841,663	7,177,399
Sanitation	-	-	2,037,324	1,834,290	2,037,324	1,834,290
Sundial utilities	-	-	529,394	457,135	529,394	457,135
Non-major proprietary funds	-	-	236,932	174,847	236,932	174,847
TOTAL EXPENSES	16,260,327	16,672,475	14,806,384	13,757,125	31,066,711	30,429,600
Increase (decrease) in net position before transfers	(4,760,392)	(4,152,957)	13,425,276	9,758,915	8,664,884	5,605,958
Transfers	4,450,000	2,723,126	(4,450,000)	(2,723,126)	-	-
Change in net position	(310,392)	(1,429,831)	8,975,276	7,035,789	8,664,884	5,605,958
NET POSITION, BEGINNING	18,087,884	19,517,715	48,570,111	41,534,322	66,657,995	61,052,037
NET POSITION, ENDING	$ 17,777,492	$ 18,087,884	$ 57,545,387	$ 48,570,111	$ 75,322,879	$ 66,657,995

FINANCIAL IMPACTS

Normal Impacts

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

Revenues

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

Expenses

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

Current Year Impacts – Governmental Activities

- Other income decreased mostly due to the prior year receipt of $593 thousand refund from the City's Retiree Health Care Plan of accumulated excess insurance premium contributions collected from prior years.

CHART 1
EXPENSES AND PROGRAM REVENUES
Governmental Activities

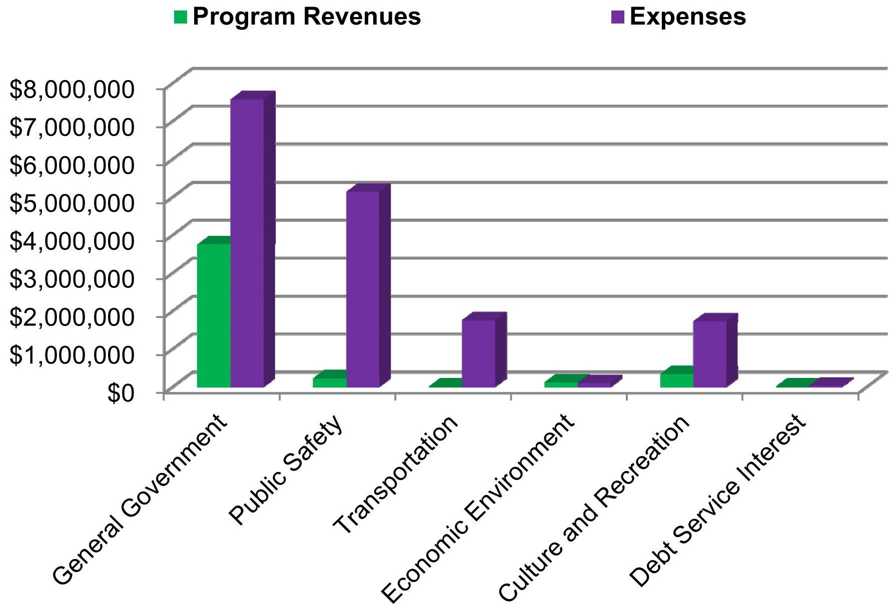
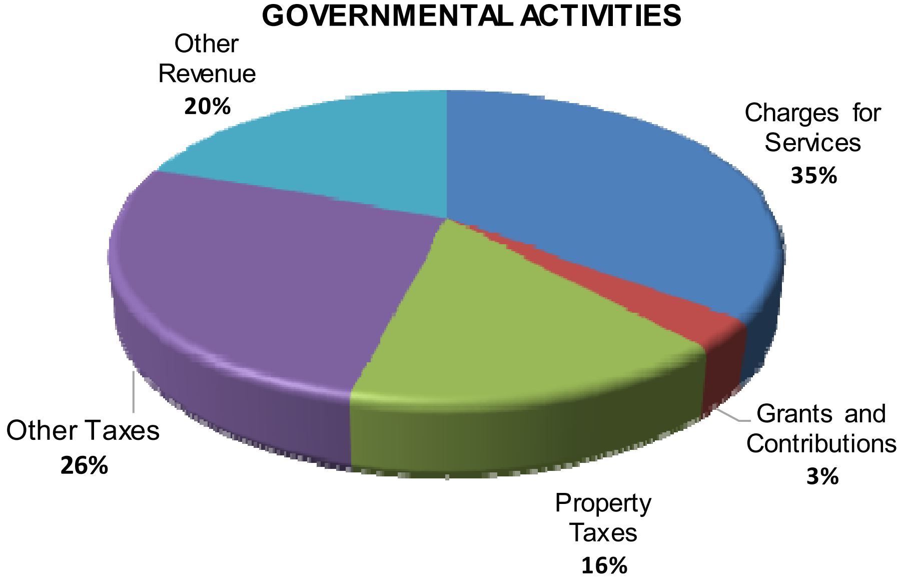


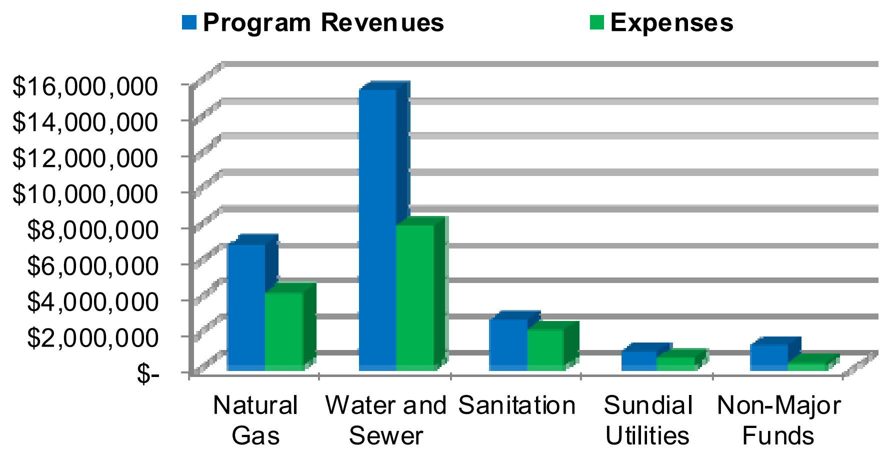
CHART 2
REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES



Current Year Impacts – Business-Type Activities

- Grants and contributions, which include impact fees, capital and operating grants, increased by $5 million, due to various ongoing projects to include the restoration of Locklin Lake, the natural gas line expansion and the waste-water treatment plant project.

CHART 3
EXPENSES AND PROGRAM REVENUES
Business-Type Activities



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 $12 million, an increase of $578 thousand from the prior year. $9 million constitutes unassigned fund balance, which is available for spending at the City Council's discretion. The remaining fund balance is nonspendable, restricted or assigned for various purposes and obligations.

The General Fund is the chief operating fund of the City. Unassigned fund balance represents approximately seven months of the General Fund expenditures.

During the current fiscal year, the fund balance of the City's General Fund increased by $62 thousand. The factors concerning the finances of these governmental funds have been addressed in the discussion of the City's governmental 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 $18 million at the end of the year. Proprietary funds net position increased by $9 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 $348 thousand and budgeted revenues were increased by $28 thousand as presented in the final amended budget.

Actual results, when compared to the final budget, show a positive variance of $745 thousand for expenditures based on additional sources of unbudgeted revenue received during the year.

CAPITAL ASSETS AND OUTSTANDING DEBT

Capital Assets

The City's capital assets includes land, buildings, water, wastewater and drainage system improvements, machinery and equipment, park facilities, roads and highways, etc.

Table 3
CITY OF MILTON, FLORIDA
CAPITAL ASSETS
(Net of Depreciation)
AS OF SEPTEMBER 30, 2025 AND 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 3,240,182	$ 3,240,182	$ 3,374,085	$ 3,374,085	$ 6,614,267	$ 6,614,267
Construction in progress	966,435	429,731	13,775,463	6,976,152	14,741,898	7,405,883
Buildings	658,420	799,231	-	-	658,420	799,231
Improvements other than buildings	5,877,783	6,467,471	7,047,885	8,029,292	12,925,668	14,496,763
Machinery and equipment	1,768,255	1,873,163	2,394,421	1,452,074	4,162,676	3,325,237
Total	$ 12,511,075	$ 12,809,778	$ 26,591,854	$ 19,831,603	$ 39,102,929	$ 32,641,381

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, 2025 AND 2024

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Notes and loans payable	$ -	$ 402,475	$ 1,316,703	$ 4,400,445	$ 1,316,703	$ 4,802,920
Compensated absences	944,876	686,781	175,307	173,539	1,120,183	860,320
Total	$ 944,876	$ 1,089,256	$ 1,492,010	$ 4,573,984	$ 2,436,886	$ 5,663,240

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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 significant 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, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 8,938,746	$ 15,554,277	$ 24,493,023
Receivables, net	177,422	2,338,721	2,516,143
Due from other governments	390,481	2,016,035	2,406,516
Interfund balances	58,550	(58,550)	-
Inventory	535,042	271,877	806,919
Leases receivable	3,293,217	-	3,293,217
Note receivable	-	354,000	354,000
Restricted assets			
Cash and cash equivalents	2,972,803	15,801,160	18,773,963
Capital assets			
Non-depreciable	4,206,617	17,149,548	21,356,165
Depreciable, net	8,304,458	9,442,306	17,746,764
TOTAL ASSETS	28,877,336	62,869,374	91,746,710
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	113,448	44,435	157,883
Pension related	3,164,173	223,189	3,387,362
TOTAL DEFERRED OUTFLOWS	3,277,621	267,624	3,545,245
LIABILITIES			
Accounts payable	451,336	1,727,291	2,178,627
Accrued liabilities	282,579	116,792	399,371
Retainage payable	-	219,779	219,779
Unearned revenue	68,748	-	68,748
Compensated absences	780,145	164,605	944,750
Lease liability	57,356	-	57,356
Notes and loans payable	-	155,481	155,481
Payable from restricted assets			
Customer deposits	-	983,125	983,125
Noncurrent liabilities			
Compensated absences	164,731	10,702	175,433
Notes and loans payable	-	1,161,222	1,161,222
Lease liability	2,533	-	2,533
Net OPEB liability	422,526	165,491	588,017
Net pension liability	5,556,755	307,438	5,864,193
TOTAL LIABILITIES	7,786,709	5,011,926	12,798,635
DEFERRED INFLOWS OF RESOURCES			
OPEB related	1,088,875	426,477	1,515,352
Leases	3,182,078	-	3,182,078
Pension related	2,319,803	153,208	2,473,011
TOTAL DEFERRED INFLOWS	6,590,756	579,685	7,170,441
NET POSITION			
Net investment in capital assets	12,451,186	25,055,372	37,506,558
Restricted			
Debt service	-	302,183	302,183
Community redevelopment	186,228	-	186,228
Capital projects	2,854,920	14,515,061	17,369,981
Unrestricted	2,285,158	17,672,771	19,957,929
TOTAL NET POSITION	$ 17,777,492	$ 57,545,387	$ 75,322,879

See notes to the financial statements.

CITY OF MILTON, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government		
Function/program activities	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental activities							
General government	$ 7,560,890	$ 3,607,354	$ 117,050	$ 17,953	$ (3,818,533)	$ -	$ (3,818,533)
Public safety	5,126,564	217,148	-	-	(4,909,416)	-	(4,909,416)
Transportation	1,746,578	-	-	-	(1,746,578)	-	(1,746,578)
Economic environment	88,094	8,760	-	102,337	23,003	-	23,003
Culture and recreation	1,715,969	216,617	-	110,310	(1,389,042)	-	(1,389,042)
Debt service interest	22,232	-	-	-	(22,232)	-	(22,232)
Total governmental activities	16,260,327	4,049,879	117,050	230,600	(11,862,798)	-	(11,862,798)
Business-type activities							
Natural gas	4,161,071	5,619,874	-	1,224,957	-	2,683,760	2,683,760
Water and sewer	7,841,663	10,896,187	-	4,467,333	-	7,521,857	7,521,857
Sanitation	2,037,324	1,865,803	-	760,558	-	589,037	589,037
Sundial utilities	529,394	872,374	-	27,266	-	370,246	370,246
Non-major proprietary funds	236,932	277,761	-	987,733	-	1,028,562	1,028,562
Total business-type activities	14,806,384	19,531,999	-	7,467,847	-	12,193,462	12,193,462
Total primary government	$ 31,066,711	$ 23,581,878	$ 117,050	$ 7,698,447	(11,862,798)	12,193,462	330,664
General revenues							
Taxes							
Property taxes					1,803,308	-	1,803,308
Sales taxes					1,172,918	-	1,172,918
Utility service taxes					1,859,694	-	1,859,694
Municipal revenue sharing					1,696,687	-	1,696,687
Investment earnings					377,082	1,089,090	1,466,172
Miscellaneous					192,717	142,724	335,441
Transfers					4,450,000	(4,450,000)	-
Total general revenues and transfers					11,552,406	(3,218,186)	8,334,220
CHANGE IN NET POSITION					(310,392)	8,975,276	8,664,884
NET POSITION, BEGINNING					18,087,884	48,570,111	66,657,995
NET POSITION, ENDING					$ 17,777,492	$ 57,545,387	$ 75,322,879

See notes to the financial statements.

CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2025

	Major Funds			
	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 8,938,746	$ -	$ -	$ 8,938,746
Receivables, net	177,422	-	-	177,422
Due from other governments	245,811	144,670	-	390,481
Due from other funds	-	58,550	-	58,550
Inventory	535,042	-	-	535,042
Leases receivable	3,293,217	-	-	3,293,217
Restricted assets				
Cash and cash equivalents	-	2,770,814	201,989	2,972,803
TOTAL ASSETS	$ 13,190,238	$ 2,974,034	$ 201,989	$ 16,366,261
LIABILITIES				
Accounts payable	$ 316,461	$ 119,114	$ 15,761	$ 451,336
Accrued liabilities	282,579	-	-	282,579
Unearned revenue	68,748	-	-	68,748
Total liabilities	667,788	119,114	15,761	802,663
DEFERRED INFLOWS OF RESOURCES	3,182,078	-	-	3,182,078
FUND BALANCE				
Nonspendable - inventory	535,042	-	-	535,042
Restricted				
Capital projects	-	2,854,920	-	2,854,920
Community redevelopment	-	-	186,228	186,228
Unassigned	8,805,330	-	-	8,805,330
Total fund balance	9,340,372	2,854,920	186,228	12,381,520
TOTAL LIABILITIES AND FUND BALANCE	$ 13,190,238	$ 2,974,034	$ 201,989	$ 16,366,261

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, 2025

Fund balance, total governmental funds		$ 12,381,520
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		
Governmental non-depreciable assets	$ 4,206,617	
Governmental depreciable assets	34,707,389	
Less accumulated depreciation	(26,402,931)	
		12,511,075
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	113,448	
Deferred inflows of resources - OPEB related	(1,088,875)	
Deferred outflows of resources - pension related	3,164,173	
Deferred inflows of resources - pension related	(2,319,803)	
		(131,057)
Long-term liabilities are not due and payable in the current period and therefore are not reported In the governmental funds.		
Lease liability	(59,889)	
Compensated absences	(944,876)	
Net OPEB liability	(422,526)	
Net pension liability	(5,556,755)	
		(6,984,046)
Net position of governmental activities		$ 17,777,492

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, 2025

	Major Funds			
	General Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 4,072,609	$ 228,194	$ -	$ 4,300,803
Licenses, fees, permits and assessments	1,036,844	-	-	1,036,844
Intergovernmental	1,378,014	1,136,602	190,915	2,705,531
Charges for services	2,692,772	-	8,760	2,701,532
Fines and forfeits	17,738	-	650	18,388
Miscellaneous	728,745	8,161	249	737,155
Total revenues	9,926,722	1,372,957	200,574	11,500,253
EXPENDITURES				
Current				
General governmental	5,060,251	22,673	-	5,082,924
Public safety	5,304,549	-	-	5,304,549
Economic environment	-	-	88,094	88,094
Transportation	1,546,397	-	-	1,546,397
Culture and recreation	1,720,952	-	-	1,720,952
Capital outlay	445,796	637,841	63,281	1,146,918
Debt service				
Principal	459,830	-	-	459,830
Interest	22,232	-	-	22,232
Total expenditures	14,560,007	660,514	151,375	15,371,896
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,633,285)	712,443	49,199	(3,871,643)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,695,215	-	-	4,695,215
Transfers out	-	-	(245,215)	(245,215)
Total other financing sources (uses)	4,695,215	-	(245,215)	4,450,000
NET CHANGE IN FUND BALANCE	61,930	712,443	(196,016)	578,357
FUND BALANCE, BEGINNING	9,278,442	2,142,477	382,244	11,803,163
FUND BALANCE, ENDING	$ 9,340,372	$ 2,854,920	$ 186,228	$ 12,381,520

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, 2025

Net change in fund balance – governmental funds		$ 578,357
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	$ 1,146,918	
Less current year depreciation	(1,445,621)	
		(298,703)
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.		
Principal payments		459,830
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in net OPEB liability and related deferred inflows and outflows of resources related to OPEB	(1,407,821)	
Change in net pension liability and related deferred inflows and outflows of resources related to pensions	616,040	
Change in long-term compensated absences	(258,095)	
		(1,049,876)
Change in net position of governmental activities		$ (310,392)

See notes to the financial statements.

CITY OF MILTON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Major Funds					
ASSETS	**Natural Gas Fund**	**Water & Sewer Fund**	**Sanitation Fund**	**Sundial Utilities Fund**	**Non-Major Enterprise Funds**	**Total**
Current assets						
Cash and cash equivalents	$ 2,291,014	$ 8,351,817	$ 489,092	$ 4,154,382	$ 267,972	$ 15,554,277
Receivables, net	486,793	1,510,670	207,541	86,801	46,916	2,338,721
Due from other governments	1,140,477	33,796	-	-	841,762	2,016,035
Due from other funds	-	288,290	-	27,266	25,276	340,832
Inventory	186,794	85,083	-	-	-	271,877
Note receivable	-	20,768	-	-	-	20,768
Restricted cash	241,421	15,191,077	-	368,662	-	15,801,160
Total current and other assets	4,346,499	25,481,501	696,633	4,637,111	1,181,926	36,343,670
Note receivable - long-term portion	-	333,232	-	-	-	333,232
Capital assets						
Non-depreciable	1,378,254	12,817,498	-	892,094	2,061,702	17,149,548
Depreciable, net	867,951	6,867,059	1,075,205	378,718	253,373	9,442,306
Total capital assets	2,246,205	19,684,557	1,075,205	1,270,812	2,315,075	26,591,854
TOTAL ASSETS	6,592,704	45,499,290	1,771,838	5,907,923	3,497,001	63,268,756
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	11,345	24,581	8,509	-	-	44,435
Pension related	54,273	137,202	31,714	-	-	223,189
TOTAL DEFERRED OUTFLOWS	65,618	161,783	40,223	-	-	267,624
LIABILITIES						
Current liabilities						
Accounts payable	591,089	944,025	42,210	46,599	103,368	1,727,291
Retainage payable	59,222	82,232	-		78,325	219,779
Compensated absences	61,527	58,838	44,240	-	-	164,605
Due to other funds	-	-	-	-	399,382	399,382
Accrued wages	30,703	68,465	17,624	-	-	116,792
Notes and loans payable	-	-	-	155,481	-	155,481
Restricted: customer deposits	240,630	676,016	-	66,479	-	983,125
Total current liabilities	983,171	1,829,576	104,074	268,559	581,075	3,766,455
Noncurrent liabilities						
Compensated absences	5,548	1,926	3,228	-	-	10,702
Notes and loans payable	-	-	-	1,161,222	-	1,161,222
Net OPEB liability	42,253	91,548	31,690	-	-	165,491
Net pension liability	74,760	188,993	43,685	-	-	307,438
Total noncurrent liabilities	122,561	282,467	78,603	1,161,222	-	1,644,853
TOTAL LIABILITIES	1,105,732	2,112,043	182,677	1,429,781	581,075	5,411,308
DEFERRED INFLOWS OF RESOURCES						
OPEB related	108,888	235,923	81,666	-	-	426,477
Pension related	37,256	94,182	21,770	-	-	153,208
TOTAL DEFERRED INFLOWS	146,144	330,105	103,436	-	-	579,685
NET POSITION						
Net investment in capital assets	2,186,983	19,602,325	1,075,205	(45,891)	2,236,750	25,055,372
Restricted: debt service	-	-	-	302,183	-	302,183
Restricted: capital projects	-	14,515,061	-	-	-	14,515,061
Unrestricted	3,219,463	9,101,539	450,743	4,221,850	679,176	17,672,771
TOTAL NET POSITION	$ 5,406,446	$ 43,218,925	$ 1,525,948	$ 4,478,142	$ 2,915,926	$ 57,545,387

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, 2025

	Major Funds					
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	Total
OPERATING REVENUES						
Charges for services	$ 5,619,874	$ 10,896,187	$ 1,865,803	$ 872,374	$ 277,761	$ 19,531,999
OPERATING EXPENSES						
Personal services	963,138	2,636,568	697,751	-	-	4,297,457
Operating	3,010,331	3,488,611	1,216,638	394,154	198,903	8,308,637
Depreciation	175,892	1,670,361	122,935	68,979	38,029	2,076,196
Total operating expenses	4,149,361	7,795,540	2,037,324	463,133	236,932	14,682,290
OPERATING INCOME (LOSS)	1,470,513	3,100,647	(171,521)	409,241	40,829	4,849,709
NON-OPERATING REVENUES (EXPENSES)						
Interest expense	(11,710)	(46,123)	-	(66,261)	-	(124,094)
Interest income	81,864	880,361	938	124,373	1,554	1,089,090
Miscellaneous	91,643	33,281	17,800	-	-	142,724
Total non-operating revenues	161,797	867,519	18,738	58,112	1,554	1,107,720
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,632,310	3,968,166	(152,783)	467,353	42,383	5,957,429
Capital contributions	1,224,957	4,467,333	760,558	27,266	987,733	7,467,847
Transfers out	(1,450,000)	(3,000,000)	-	-	-	(4,450,000)
Total transfers and capital contributions	(225,043)	1,467,333	760,558	27,266	987,733	3,017,847
CHANGE IN NET POSITION	1,407,267	5,435,499	607,775	494,619	1,030,116	8,975,276
NET POSITION AT BEGINNING OF YEAR	3,999,179	37,783,426	918,173	3,983,523	1,885,810	48,570,111
NET POSITION AT END OF YEAR	$ 5,406,446	$ 43,218,925	$ 1,525,948	$ 4,478,142	$ 2,915,926	$ 57,545,387

See notes to the financial statements.

CITY OF MILTON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Major Funds					
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/users	$ 5,566,689	$ 10,674,886	$ 1,832,142	$ 870,486	$ 273,564	$ 19,217,767
Payments to suppliers	(2,801,864)	(3,061,439)	(1,222,106)	(351,174)	(104,187)	(7,540,770)
Payments to employees	(808,807)	(2,339,353)	(578,811)	-	-	(3,726,971)
Miscellaneous income	91,643	33,281	17,800	-	-	142,724
Net cash provided by operating activities	2,047,661	5,307,375	49,025	519,312	169,377	8,092,750
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Interfund activity	-	(927,663)	-	340,085	374,106	(213,472)
Transfers out	(1,450,000)	(3,000,000)	-	-	-	(4,450,000)
Net cash (used in) provided by non-capital financing activities	(1,450,000)	(3,927,663)	-	340,085	374,106	(4,663,472)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisitions of capital assets	(1,336,629)	(5,275,345)	(958,570)	(128,190)	(1,137,714)	(8,836,448)
Capital contributions	172,980	940,063	760,558	27,266	145,971	2,046,838
Increase in retainage payable	59,222	82,232	-	-	78,325	219,779
Loan issued for capital improvement	-	(354,000)	-	-	-	(354,000)
Principal paid on long-term debt	(329,697)	(2,601,043)	-	(153,002)	-	(3,083,742)
Interest paid on long-term debt	(11,710)	(46,123)	-	(66,261)	-	(124,094)
Net cash used in capital and related financing activities	(1,445,834)	(7,254,216)	(198,012)	(320,187)	(913,418)	(10,131,667)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	81,864	880,361	938	124,374	1,554	1,089,091
NET CHANGE IN CASH	(766,309)	(4,994,143)	(148,049)	663,584	(368,381)	(5,613,298)
CASH AND CASH EQUIVALENTS:						
AT BEGINNING OF YEAR	3,298,744	28,537,037	637,141	3,859,460	636,353	36,968,735
AT END OF YEAR	$ 2,532,435	$ 23,542,894	$ 489,092	$ 4,523,044	$ 267,972	$ 31,355,437
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF:						
Cash and cash equivalents	$ 2,291,014	$ 8,351,817	$ 489,092	$ 4,154,382	$ 267,972	$ 15,554,277
Restricted cash	241,421	15,191,077	-	368,662	-	15,801,160
Total cash and cash equivalents	$ 2,532,435	$ 23,542,894	$ 489,092	$ 4,523,044	$ 267,972	$ 31,355,437

See notes to the financial statements.

CITY OF MILTON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Major Funds					
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund	Non-Major Enterprise Funds	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	$ 1,470,513	$ 3,100,647	$ (171,521)	$ 409,241	$ 40,829	$ 4,849,709
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	175,892	1,670,361	122,935	68,979	38,029	2,076,196
Miscellaneous revenue	91,643	33,281	17,800	-	-	142,724
Decrease (increase) in assets:						
Receivables, net	(58,471)	(252,749)	(33,661)	(4,314)	(4,197)	(353,392)
Inventory	21,674	(85,083)	-	-	-	(63,409)
Deferred outflows	27,386	36,199	13,788	-	-	77,373
(Decrease) increase in liabilities:						
Accounts payable	186,793	512,255	(5,468)	42,980	94,716	831,276
Compensated absences payable	12,052	(19,308)	9,024	-	-	1,768
Accrued wages	7,360	17,371	3,355	-	-	28,086
Customer deposits	5,286	31,448	-	2,426	-	39,160
Net pension liability	(54,780)	(118,596)	14,309	-	-	(159,067)
Net OPEB liability	129,626	205,133	101,588	-	-	436,347
Deferred inflows	32,687	176,416	(23,124)	-	-	185,979
Net cash provided by operating activities	$ 2,047,661	$ 5,307,375	$ 49,025	$ 519,312	$ 169,377	$ 8,092,750

See notes to the financial statements.

CITY OF MILTON, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ASSETS		
Investments, at fair value	$ 42,416,430	$ 370,973
Due from other governments	124,348	-
TOTAL ASSETS	42,540,778	370,973
LIABILITIES		
Accounts payable	-	2,604
NET POSITION		
Restricted for pensions and OPEB	$ 42,540,778	$ 368,369

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, 2025

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ADDITIONS		
Contributions		
Employer	$ 1,704,352	$ -
Plan members	653,964	-
State of Florida	279,425	-
Total contributions	2,637,741	-
Investment income	4,526,096	-
Less investment expense	(356,543)	-
Net investment income	4,169,553	-
TOTAL ADDITIONS	6,807,294	-
DEDUCTIONS		
Benefits and refunds paid	3,176,795	7,957
Administrative expenses – other	2,461	10,500
TOTAL DEDUCTIONS	3,179,256	18,457
NET CHANGE IN NET POSITION	3,628,038	(18,457)
NET POSITION, BEGINNING	38,912,740	386,826
NET POSITION, ENDING	$ 42,540,778	$ 368,369

See notes to the financial statements.

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.

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.

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.

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 the following 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.

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 sub-divisions around the Bagdad, Florida, area.

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

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

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

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

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

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.

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 noncurrent 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*.

Right-of-Use Asset and Lease Liability
The City is a sub lessee for noncancelable lease of office space. The City recognizes a lease liability and a right-to-use lease asset in the government-wide financial statements.

At the commencement of the lease, the City initially measures the lease liability at the present value of the payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

The City uses the interest rate charged by the lessor as the discount rate or its incremental borrowing rate as the discount rate for the leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are comprised of fixed payments and any purchase option price that the City will reasonably be certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The City monitors changes in the circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Payments due under the lease contracts include fixed payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.

- Amounts expected to be payable by the City under residual value guarantees.
- The exercise price of a purchase option if it is reasonably certain the option will be executed.
- Payments of penalties for terminating the lease, if the lease term reflects the City exercising that option.

Inventories
Inventory held by the General Fund is valued at cost and offset by nonspendable 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.

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

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

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

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

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

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

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

The City records a compensated absences liability for leave that 1) can be carried forward to future reporting periods; 2) was earned based on service that the employee has already provided; and 3) is more likely than not to be used, paid, or otherwise settled with the City. The compensated absences liability is measured using the pay rates in effect as of the financial statement date, including directly and incrementally associated salary-related employer taxes and benefits. Changes to pay rates will be recognized in future periods as those changes occur. The City uses a first-in, first-out (FIFO) flow assumption for calculating the portion of the liability due within one year.

Change in Accounting Principle

Effective October 1, 2024, the City adopted the provisions of GASB Statement No. 101, *Compensated Absences* (GASBS 101). This pronouncement establishes a unified model for recognition and measurement of liabilities associated with compensated absences, including vacation, sick leave, and other paid time off. GASBS 101 is expected to result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to different types of leave offered by governmental employers.

As part of the implementation process, the City has evaluated whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, such as the City’s employment policies related to compensated absences; historical information about the use, payment, or forfeiture of compensated absences; and known information that would indicate that historical information may not be representative of future trends or patterns. GASBS 101 was retroactively implemented and had no effect on fund balance or net position previously presented.

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.

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, 2025, 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, 2025, 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) Liability

For the purposes of measuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City’s Retiree Health Care Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Governmental Fund Balances

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

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

<u>Restricted fund balances</u> – 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.

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

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

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

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

3. DEPOSITS AND INVESTMENTS

Deposits

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

The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public financial institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories. The City's deposits at September 30, 2025, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and therefore, have no custodial credit risk.

Investments – Fiduciary Funds

As of September 30, 2025, 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 has 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 to manage interest rate risk. The investment policies for the trust funds do not specifically address interest rate risk.

As of September 30, 2025, the City had the following investments and maturities:

		INVESTMENT MATURITIES (YEARS)			
	Fair Value	**<1**	**1-5**	**6-10**	**>10**
Investments subject to interest rate risk					
Corporate bonds	$ 3,692,494	$ 312,506	$ 1,555,112	$ 1,308,789	$ 516,087
U.S. government obligations	1,230,789	8,042	397,070	525,574	300,103
Municipal obligations	56,559	-	-	-	56,559
Mortgage backed securities	877,870	22,940	187,467	227,296	440,167
	5,857,712	$ 343,488	$ 2,139,649	$ 2,061,659	$ 1,312,916
Investments not subject to interest-rate risk	36,929,691				
Total	$ 42,787,403				

Investments held by City:	
Pension Trust Funds	$ 42,416,430
Retired Employees' Insurance Trust Fund	370,973
Total	$ 42,787,403

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, 2025.

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

Fair Value of Investments

The City measures and records its investments using fair value measurement 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.

	Fair Value	Level 1	Level 2	Level 3
Money market and mutual funds	$ 21,909,697	$ 21,909,697	$ -	$ -
Corporate bonds	3,402,804	17,308	3,385,496	-
U.S. government obligations	1,186,215	10,714	1,175,501	-
Municipal obligations	27,991	-	27,991	-
Mortgage backed securities	1,285,893	-	1,285,893	-
Common stock	14,974,803	14,446,385	528,418	-
Total investments	$ 42,787,403	$ 36,384,104	$ 6,403,299	$ -

4. RECEIVABLES

Receivables at September 30, 2025, were as follows:

	Governmental Activities	Business-Type Activities					
	General	Natural Gas	Water and Sewer	Sanitation	Sundial Utilities	Non-Major	Total
Utility taxes and franchise fees	$ 166,003	$ 4,921	$ -	$ -	$ -	$ -	$ 170,924
Accounts, less allowance for doubtful accounts	11,419	481,872	1,510,670	207,541	86,801	46,916	2,345,219
Other	-	-	-	-	-	-	-
	$ 177,422	$ 486,793	$ 1,510,670	$207,541	$86,801	$ 46,916	$ 2,516,143

As of September 30, 2025, the City has estimated $69,000 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, 2025, were $390,481. The receivables consist primarily of amounts due from the State of Florida relating to intergovernmental revenues and various government agencies for grant reimbursements. The City's receivables from other governments for business-type activities as of September 30, 2025, were $2,016,035. The receivables consist primarily of amounts due from the State of Florida and federal grants 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 leases receivable are 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, 2025, principal and interest received were $194,961 and $22,456, respectively. At September 30, 2025, the City reported $3,293,217 for leases receivable in the governmental funds.

Note Receivable

In September 2022, the City entered into a Loan Agreement with Tranquility Milton, LLC for the purpose of funding utility infrastructure improvements necessary for the completion of a multi-family residential rental project located in Milton. The city provided a loan of $354,000 bearing interest at a fixed rate of 1.8% per annum. The note requires annual payments of principal and accrued interest of $27,140. The loan is expected to amortize over approximately 15 years with a maturity date in September 2062. The loan is secured by a second lien mortgage on the project property. Interest income of $6,372 was recognized in the Water and Sewer Fund during the fiscal year ended September 30, 2025.

Future principal maturities of the note receivable at September 30, 2025, are as follows:

Year Ending September 30		
2026	$	20,768
2027		21,522
2028		21,910
2029		22,304
2030		22,706
Thereafter		244,790
Total	$	354,000

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 3,240,182	$ -	$ -	$ 3,240,182
Construction in progress	429,731	537,376	(672)	966,435
Total capital assets not being depreciated	3,669,913	537,376	(672)	4,206,617
Capital assets being depreciated:				
Buildings	9,683,244	26,567	672	9,710,483
Improvements other than buildings	16,543,908	260,870	-	16,804,778
Right-of-use assets	149,572	-	-	149,572
Machinery and equipment	7,755,113	322,105	(34,662)	8,042,556
Total capital assets being depreciated	34,131,837	609,542	(33,990)	34,707,389
Less accumulated depreciation:				
Buildings	(8,999,811)	(110,152)	-	(9,109,963)
Improvements other than buildings	(10,076,437)	(850,558)	-	(10,926,995)
Right-of-use assets	(33,774)	(57,898)	-	(91,672)
Machinery and equipment	(5,881,950)	(427,013)	34,662	(6,274,301)
Total accumulated depreciation	(24,991,972)	(1,445,621)	34,662	(26,402,931)
Total capital assets being depreciated, net	9,139,865	(836,079)	672	8,304,458
Governmental activities, net	$ 12,809,778	$ (298,703)	$ -	$ 12,511,075
Business-type activities				
Capital assets not being depreciated:				
Land	$ 3,374,085	$ -	$ -	$ 3,374,085
Construction in progress	6,976,152	6,799,311	-	13,775,463
Total capital assets not being depreciated	10,350,237	6,799,311	-	17,149,548
Capital assets being depreciated:				
Buildings	26,000	-	-	26,000
Improvements other than buildings	54,710,140	731,545	-	55,441,685
Machinery and equipment	4,171,618	1,305,591	(386,650)	5,090,559
Total capital assets being depreciated	58,907,758	2,037,136	(386,650)	60,558,244
Less accumulated depreciation:				
Buildings	(26,000)	-	-	(26,000)
Improvements other than buildings	(46,680,849)	(1,712,951)	-	(48,393,800)
Machinery and equipment	(2,719,543)	(363,245)	386,650	(2,696,138)
Total accumulated depreciation	(49,426,392)	(2,076,196)	386,650	(51,115,938)
Total capital assets being depreciated, net	9,481,366	(39,060)	-	9,442,306
Business-type activities, net	$ 19,831,603	$ 6,760,251	$ -	$ 26,591,854

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

Governmental activities		
General government	$	902,199
Public safety		259,250
Transportation		239,715
Culture and recreation		44,457
Total depreciation expense – governmental activities	$	1,445,621
Business-type activities		
Natural gas	$	175,892
Water and sewer		1,670,361
Sanitation		122,935
Sundial utilities		68,979
Non-major		38,029
Total depreciation expense – business-type activities	$	2,076,196

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

6. DEFINED BENEFIT PENSION PLANS

The City administers three single-employer defined benefit pension plans: the General Employees' Retirement Plan (GERP), Police Officers' Retirement Plan (PORP) and the Firefighters' Retirement Plan (FRP). These plans provide benefits for all qualifying employees of the City. The financial activity of each plan is reported as a Pension Trust Fund in the City's financial statements. Detailed information about each of the pension plan's fiduciary net position is available in a separately issued plan actuarial report. A separately 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 1) two legal residents appointed by the City Council, and 2) three members of the plan. All Members serve three-year terms. Full-time employees who are classified as full-time General Employees of the City enter the plan on January 1 or July 1 after six months of employment.

Plan Membership as of October 1, 2023:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	58
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	12
Active Plan Members	84
Total	154

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. Nonvested 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 $491,061 to the plan. The City is required to contribute at an actuarially determined rate; the contribution rate for 2025 was 14.8% of payroll.

Net Pension Liability of the Sponsor – Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of October 1, 2023, updated to September 30, 2024, using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.10%
Investment Rate of Return	7.10%

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 (Below Median) 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, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Fixed Income	28%	2.50%
Domestic Equity	52%	7.50%
Real Estate	10%	4.50%
International Equity	10%	8.50%
Total	100%	

Net Pension Liability of the Sponsor – Discount Rate
The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting Period Ending September 30, 2024	$ 18,838,243	$ 15,610,439	$ 3,227,804
Changes:			
Service cost	612,963	-	612,963
Interest	1,356,427	-	1,356,427
Differences between projected and actual experience	276,866	-	276,866
Change of assumptions	199,244	-	199,244
Contributions – employer	-	484,077	(484,077)
Contributions – employee	-	436,595	(436,595)
Net investment income	-	3,034,160	(3,034,160)
Benefit payments, including refunds of employee contributions	(1,223,866)	(1,223,866)	-
Administrative expenses	-	(88,328)	88,328
Net changes	1,221,634	2,642,638	(1,421,004)
Reporting Period Ending September 30, 2025	$ 20,059,877	$ 18,253,077	$ 1,806,800

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

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Sponsor's Net Pension Liability	$ 3,972,437	$ 1,806,800	$ (23,861)

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

For the year ended September 30, 2025, the City recognized pension expense of $470,372. On September 30, 2025, 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	$ 658,834	$ -
Differences between Expected and Actual Experience	282,090	73,963
Changes of Assumptions	370,748	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	826,431
Total	$ 1,311,672	$ 900,394

Deferred outflows of resources related to pensions of $658,834, 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, 2026. 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:	
2026	$ 23,632
2027	383,210
2028	(364,759)
2029	(289,639)
	$ (247,556)

Police Officers' Retirement Plan (PORP)

Plan Description

The Police Officers' Retirement Plan (PORP) is administered by a Board of Trustees (Police Board) comprised of 1) two City Council appointees, 2) two members of the department elected by the membership, and 3) a fifth member elected by the other four and appointed by the City Council.

Plan Membership as of October 1, 2023:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	17
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	4
Active Plan Members	16
Total	37

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% of payroll) make contributions to the plan. For fiscal year 2025, employees contributed $85,809 to the plan. For fiscal year 2025, the State contributed $155,077 to the plan. The City is required to contribute at an actuarially determined rate; the contribution rate for 2025 was 23.9% of payroll.

Net Pension Liability of the Sponsor – Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of October 1, 2023, updated to September 30, 2024, 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%

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, 2024, are summarized in the following table:

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

Net Pension Liability of the Sponsor – Discount Rate:
The discount rate used to measure the total pension liability was 7.25%. 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting Period Ending September 30, 2024	$ 11,634,736	$ 9,622,507	$ 2,012,229
Changes:			
Service cost	215,187	-	215,187
Interest	839,131	-	839,131
Difference between projected and actual experience	84,382	-	84,382
Changes of assumptions	67,374	-	67,374
Contributions – employer	-	231,387	(231,387)
Contributions – state	-	137,987	(137,987)
Contributions – employee	-	85,317	(85,317)
Net investment income	-	2,123,985	(2,123,985)
Changes in benefit terms	65,413	-	65,413
Benefit payments, including refunds of employee contributions	(446,298)	(446,298)	-
Administrative expenses	-	(61,683)	61,683
Net changes	825,189	2,070,695	(1,245,506)
Reporting Period Ending September 30, 2025	$ 12,459,925	$ 11,693,202	$ 766,723

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Sponsor's Net Pension Liability	$ 2,220,337	$ 766,723	$ (430,057)

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

For the year ended September 30, 2025, the City recognized pension expense of $325,359. On September 30, 2025, 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 and State Contributions Subsequent to the Measurement Date	$ 463,281	$ -
Differences between Expected and Actual Experience	138,545	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	716,469
Changes of Assumptions	44,916	-
Total	$ 646,742	$ 716,469

Deferred outflows of resources related to pensions of $463,281 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, 2026. 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:	
2026	$ (43,875)
2027	123,437
2028	(326,913)
2029	(285,657)
	$ (533,008)

Firefighters' Retirement Plan (FRP)

Plan Description

The Firefighters' Retirement Plan (FRP) is administered by a Board of Trustees (Fire Board) comprised of 1) two legal residents appointed by the City Council, 2) two members of the Department elected by the membership, and 3) a fifth member elected by the other four and appointed by City Council.

Plan Membership as of October 1, 2023:

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

Benefits Provided
The plan provides retirement, disability and death benefits. A member may retire at age 50 with 10 years of credited service (early retirement) or at age 54 and 10 years of credited service or 25 years of credited service regardless of age (normal retirement). Benefits become 100% vested upon completion of 10 years of credit service. Members will receive the vested portion of his or her accrued benefit payable at the otherwise normal retirement date, or refund of member contributions. The plan provides a normal retirement benefit for normal retirement of 3.85% of average final compensation times credited service. 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 2025, employees contributed $77,094 to the plan. For fiscal year 2025, the State contributed $124,348 to the plan. The City is required to contribute at an actuarially determined rate; the contribution rate for 2025 was 61.4% of payroll.

Net Pension Liability of the Sponsor – Assumptions
The total pension liability was determined by an actuarial valuation as of October 1, 2023, updated to September 30, 2024, 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%

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, 2024, 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.

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, 2024	$ 11,560,017	$ 7,335,356	$ 4,224,661
Changes:			
Service cost	227,134	-	227,134
Interest	883,778	-	883,778
Difference between expected and actual experience	345,472	-	345,472
Change of assumptions	186,650	-	186,650
Contributions – employer	-	557,592	(557,592)
Contributions – state	-	118,039	(118,039)
Contributions – employee	-	64,953	(64,953)
Net investment income	-	1,891,450	(1,891,450)
Benefit payments, including refunds of employee contributions	(766,183)	(766,183)	-
Administrative expenses	-	(55,009)	55,009
Net changes	876,851	1,810,842	(933,991)
Reporting Period Ending September 30, 2025	$ 12,436,868	$ 9,146,198	$ 3,290,670

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

	1% Decrease 6.75%	**Current Discount Rate 7.75%**	**1% Increase 8.75%**
Sponsor's Net Pension Liability	$ 4,648,048	$ 3,290,670	$ 2,140,532

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

For the year ended September 30, 2025, the City recognized pension expense of $508,525. On September 30, 2025, 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 and State Contributions Subsequent to the Measurement Date	$ 808,029	$ -
Differences between Expected and Actual Experience	471,599	16,056
Changes of Assumptions	149,320	100,133
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	739,959
Total	$ 1,428,948	$ 856,148

Deferred outflows of resources related to pensions of $808,029 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, 2026.

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:	
2026	$ (19,624)
2027	137,994
2028	(194,806)
2029	(158,793)
	$ (235,229)

Combined Plan Reporting
Aggregate pension expense for all plans was $1,304,256 for fiscal year 2025. 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	$ 1,311,672	$ 900,394
Police Officers' Retirement Plan	646,742	716,469
Firefighters' Retirement Plan	1,428,948	856,148
Total	$ 3,387,362	$ 2,473,011

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
General Employees' Retirement Plan	$ 20,059,877	$ 18,253,077	$ 1,806,800
Police Officers' Retirement Plan	12,459,925	11,693,202	766,723
Firefighters' Retirement Plan	12,436,868	9,146,198	3,290,670
Balances at September 30, 2025	$ 44,956,670	$ 39,092,477	$ 5,864,193

Pension Plan Fiduciary Net Position
Detailed information about the pension plan’s fiduciary net position is available for each plan in a separately issued plan actuarial report. A separate audited financial report for each of the plans are not available.

Fund Financial Statements
The following are the financial statements for the individual pension trust funds (GERP, PORP, FRP) for the year ended September 30, 2025:

	Employee Retirement Funds			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	Firefighters' Retirement Plan	Total Employee Retirement Plans
ASSETS				
Investments, at fair value	$ 19,636,761	$ 12,429,317	$ 10,350,352	$ 42,416,430
Due from State of Florida	-	-	124,348	124,348
FIDUCIARY NET POSITION	$ 19,636,761	$ 12,429,317	$ 10,474,700	$ 42,540,778
ADDITIONS				
Contributions				
Employer	$ 696,277	$ 298,587	$ 709,488	$ 1,704,352
Plan members	491,061	85,809	77,094	653,964
State of Florida	-	155,077	124,348	279,425
Total contributions	1,187,338	539,473	910,930	2,637,741
Investment income	1,779,329	1,624,879	1,121,888	4,526,096
Less investment expense	(110,050)	(107,881)	(138,612)	(356,543)
Net investment income	1,669,279	1,516,998	983,276	4,169,553
TOTAL ADDITIONS	2,856,617	2,056,471	1,894,206	6,807,294
DEDUCTIONS				
Benefits paid and administrative costs	1,426,781	1,233,145	519,330	3,179,256
NET CHANGE	1,429,836	823,326	1,374,876	3,628,038
FIDUCIARY NET POSITION, BEGINNING	18,206,925	11,605,991	9,099,824	38,912,740
FIDUCIARY NET POSITION, ENDING	$ 19,636,761	$ 12,429,317	$ 10,474,700	$ 42,540,778

7. DEFERRED COMPENSATION PLAN

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

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

Assets of the Plan have a fair value of $1,701,827 as of September 30, 2025. Contributions and distributions made during the fiscal year ended September 30, 2025, were $126,783 and $55,881, respectively. The Plan had net earnings of $161.600.

8. RISK MANAGEMENT

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

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

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

9. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable	$ 402,475	$ -	$ (402,475)	$ -	$ -
Compensated absences	686,781	258,095	-	944,876	780,145
Total governmental activities	$ 1,089,256	$ 258,095	$ (402,475)	$ 944,876	$ 780,145
Business-type activities					
Natural Gas					
Note payable	$ 329,697	$ -	$ (329,697)	$ -	$ -
Water and Sewer					
Note payable	586,130	-	(586,130)	-	-
State revolving loans payable	2,014,913	-	(2,014,913)	-	-
Sundial					
Revenue note payable	1,469,705	-	(153,002)	1,316,703	155,481
Accumulated, Vested Annual Compensation for Proprietary Funds					
Compensated absences	173,539	1,768	-	175,307	164,605
Total business-type activities	$ 4,573,984	$ 1,768	$ (3,083,742)	$ 1,492,010	$ 320,086

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.

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.

Annual Requirements to Amortize Debt Outstanding
The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2025, are as follows:

Business-Type Activities

	Revenue Notes Payable	
Year Ending September 30:	**Principal**	**Interest**
2026	$ 155,481	$ 52,255
2027	157,999	45,145
2028	160,559	37,920
2029	163,160	30,578
2030	165,803	23,116
2031-2032	513,701	23,364
Total	$ 1,316,703	$ 212,378

Lease Liability – In fiscal year 2024, the City entered into a lease for office space. During the year ended September 30, 2025, principal and interest expense totaled $57,899 and $5,159, respectively.

10. CAPITAL CONTRIBUTIONS

For the year ended September 30, 2025, the Water and Sewer Fund had $1,973,898 of capital contributions related to impact fees and $2,493,435 of capital related intergovernmental grants. Capital contributions reported in the Natural Gas Fund, Sanitation Fund, Sundial Utilities Fund and Stormwater Fund related to capital related intergovernmental grants.

11. INTERFUND BALANCES

The composition of interfund balances as of September 30, 2025, is as follows:

Transfers Out	Transfers In General
Non-Major Governmental	$ 245,215
Natural Gas	1,450,000
Water and Sewer	3,000,000
Total	$ 4,695,215

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

12. POST-EMPLOYEE HEALTHCARE BENEFITS

Plan Description

The City provides limited healthcare benefits for retired municipal employees under the City of Milton Retired Employees Medical Insurance Fund Plan (Plan). The Plan is a single-employer defined benefit post-employment 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.

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, 2023:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	44
Active Plan Members	98
Total	142

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, 2025:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	48%	7.5%
International Equity	9%	8.5%
Domestic Bonds	43%	2.5%
Total	100%	

Net OPEB Liability (Asset)
The City’s Net OPEB Liability (Asset) was measured as of September 30, 2024. The OPEB Liability (Asset) used to calculate the OPEB Liability (Asset) was determined as of the October 1, 2023, valuation.

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, 2024	$ 1,164,468	$ 2,344,000	$ (1,179,532)
Changes:			
Service cost	56,129	-	56,129
Interest	84,735	-	84,735
Changes of assumptions	(260,133)	-	(260,133)
Implicit contributions - employer	-	48,468	(48,468)
Net investment income	-	447,228	(447,228)
Explicit benefit payments	(6,761)	(6,761)	-
Implicit benefit payments	(48,468)	(48,468)	-
Other changes	-	(2,331,376)	2,331,376
Administrative expenses	-	(51,138)	51,138
Net changes	(174,498)	(1,942,047)	1,767,549
Reporting Period Ending September 30, 2025	$ 989,970	$ 401,953	$ 588,017

Actuarial Assumptions

Salary Increases	Varies
Discount Rate	7.10%
Investment Rate of Return	7.10%
Healthcare Cost Trend Rates	4.0%-8.50%

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.

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, 7.10%.

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:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Net OPEB Liability	$ 691,912	$ 588,017	$ 497,531

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 3.00%-7.50%	Healthcare Cost Trend Rate 4.00%-8.50%	1% Increase 5.00%-9.50%
Net OPEB Liability	$ 487,438	$ 588,017	$ 707,186

For the year ended September 30, 2024, the City will recognize a reduction in OPEB expense of $332,260. On September 30, 2024, 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	$ 157,883	$ 794,317
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	233,528
Differences between Expected and Actual Experience	-	487,507
Total	$ 157,883	$ 1,515,352

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

Year Ended September 30:	
2026	$ (342,912)
2027	(218,213)
2028	(391,467)
2029	(267,623)
2030	(78,161)
Thereafter	(59,093)
	$ (1,357,469)

13. COMMITMENTS AND CONTINGENCIES

Grants

The City participates in a number of federal and state assisted programs. 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

From time to time, 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 council that resolution of these matters will not have a material adverse effect on the financial condition of the City.

14. SUBSEQUENT EVENT

The City has evaluated events and transactions that occurred between September 30, 2025, and September 1, 2026, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

In October 2025, the City approved the purchase of a 2026 Ford F-550 Rosenbauer Mini Pumper to replace an existing 2017 frontline fire rescue vehicle. The total purchase price is approximately $449,072, with financing through a five-year lease-purchase agreement. The amount expected to be financed is approximately $436,441, resulting in annual payments of approximately $100,367 over five years.

In October 2025, the City entered into a construction contract with J & P Construction Co., Inc. for approximately $10 million, for the Sundial Wastewater Treatment Plant Expansion Project. The project includes expansion of the wastewater treatment facility through installation of biological nutrient removal processes, aeration basin improvements, treatment equipment, and associated infrastructure.

In December 2025, the City purchased land for $1.7 million. The property is intended for future treated wastewater (effluent) disposal in East Milton.

On May 28, 2026, The City Council dedicated $24,050,285 of the City's Reserves, plus future interest accrued for the new wastewater treatment plant and effluent disposal system project that is designed to replace the City's old downtown wastewater treatment plant and surface water effluent disposal system. Recently, the Council also directed the continued funding pursuits to fund a 4 MGD new plant and disposal system that is estimated at $144.8 million. Current funding pursuits that are in process of an award include an $8 million RESTORE grant, a $16.9 million Resiliency Florida Program grant, and a $1.5 million State Appropriation. Additional funding pursuits still in-progress include a $28.7 million Hazard Mitigation Grant Program grant, a $1 million Congressional funding request, and a $25 million State Revolving Fund loan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND (UNAUDITED)

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 3,976,880	$ 3,976,880	$ 4,072,609	$ 95,729
Licenses, fees, permits and assessments	1,153,146	1,153,146	1,036,844	(116,302)
Intergovernmental	1,865,328	1,883,328	1,378,014	(505,314)
Charges for services	2,150,338	2,150,338	2,692,772	542,434
Fines and forfeits	26,500	26,500	17,738	(8,762)
Miscellaneous	410,342	420,342	728,745	308,403
Total revenues	9,582,534	9,610,534	9,926,722	316,188
EXPENDITURES				
Current				
General governmental	5,372,795	5,392,502	5,060,251	332,251
Public safety	5,865,517	5,787,942	5,304,549	483,393
Transportation	1,674,597	1,676,129	1,546,397	129,732
Culture and recreation	1,762,895	1,780,895	1,720,952	59,943
Capital outlay	65,382	180,678	445,796	(265,118)
Debt service	215,640	487,150	482,062	5,088
Total expenditures	14,956,826	15,305,296	14,560,007	745,289
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(5,374,292)	(5,694,762)	(4,633,285)	1,061,477
OTHER FINANCING SOURCES (USES)				
Transfers in	5,856,947	6,177,417	4,695,215	(1,482,202)
Transfers out	(482,655)	(482,655)	-	482,655
Total other financing sources	5,374,292	5,694,762	4,695,215	(999,547)
NET CHANGE IN FUND BALANCE	-	-	61,930	61,930
FUND BALANCE, BEGINNING	-	-	9,278,442	9,278,442
FUND BALANCE, ENDING	$ -	$ -	$ 9,340,372	$ 9,340,372

See notes to the budgetary comparison schedule.

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

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

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

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.

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	**9/30/25**	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**	**9/30/16**
Measurement Date	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**	**9/30/16**	**9/30/15**
Total Pension Liability										
Service cost	$ 612,963	$ 556,739	$ 459,538	$ 390,749	$ 363,386	$ 333,095	$ 327,894	$ 313,360	$ 318,891	$ 300,174
Interest	1,356,427	1,315,504	1,264,219	1,252,733	1,244,701	1,202,029	1,228,908	1,203,306	1,131,940	1,107,941
Differences between expected and actual experience	276,866	(98,584)	151,494	(74,062)	98	(191,391)	2,178	(198,798)	(39,135)	(64,838)
Changes of benefit terms	-	-	-	-	604,871	-	-	-	-	-
Changes of assumptions	199,244	183,676	172,509	160,713	(16,276)	-	368,084	-	444,060	-
Benefit payments, including refunds of employee contributions	(1,223,866)	(1,165,920)	(1,250,861)	(1,585,133)	(1,439,227)	(1,380,625)	(1,152,516)	(872,230)	(1,044,056)	(1,079,979)
Net change in total pension liability	1,221,634	791,415	796,899	145,000	757,553	(36,892)	774,548	445,638	811,700	263,298
Total pension liability – beginning	18,838,243	18,046,828	17,249,929	17,104,929	16,347,376	16,384,268	15,609,720	15,164,082	14,352,382	14,089,084
Total pension liability – ending (a)	$ 20,059,877	$ 18,838,243	$ 18,046,828	$ 17,249,929	$ 17,104,929	$ 16,347,376	$ 16,384,268	$ 15,609,720	$ 15,164,082	$ 14,352,382
Plan Fiduciary Net Position										
Contributions – employer	$ 484,077	$ 535,500	$ 524,280	$ 524,068	$ 493,709	$ 598,201	$ 500,108	$ 410,250	$ 538,937	$ 463,611
Contributions – member	436,595	419,141	367,130	308,087	275,815	261,223	227,322	212,565	229,488	211,695
Net investment income	3,034,160	1,501,138	(2,174,575)	2,965,611	1,195,781	449,252	1,160,753	1,332,803	938,420	173,587
Benefit payments, including refunds of employee contributions	(1,223,866)	(1,165,920)	(1,250,861)	(1,585,133)	(1,439,227)	(1,380,625)	(1,152,516)	(872,230)	(1,044,056)	(1,079,979)
Administrative expenses	(88,328)	(75,478)	(46,997)	(52,529)	(56,174)	(78,721)	(51,942)	(51,168)	(51,481)	(33,097)
Net change in plan fiduciary net position	2,642,638	1,214,381	(2,581,023)	2,160,104	469,904	(150,670)	683,725	1,032,220	611,308	(264,183)
Plan fiduciary net position – beginning	15,610,439	14,396,058	16,977,081	14,816,977	14,347,073	14,497,743	13,814,018	12,781,798	12,170,490	12,435,483
Plan fiduciary net position – ending (b)	$ 18,253,077	$ 15,610,439	$ 14,396,058	$ 16,977,081	$ 14,816,977	$ 14,347,073	$ 14,497,743	$ 13,814,018	$ 12,781,798	$ 12,171,300
Net pension liability – ending (a)-(b)	$ 1,806,800	$ 3,227,804	$ 3,650,770	$ 272,848	$ 2,287,952	$ 2,000,303	$ 1,886,525	$ 1,795,702	$ 2,382,284	$ 2,181,082
Plan fiduciary net position as a percentage of the total pension liability	90.99%	82.87%	79.77%	98.42%	86.62%	87.76%	88.49%	88.50%	84.29%	84.80%
Covered employee payroll	$ 4,365,951	$ 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
Net pension liability as a percentage of covered employee payroll	41.38%	77.01%	99.44%	8.86%	82.95%	76.57%	82.99%	84.48%	103.81%	86.04%

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

Reporting Period Ending	**9/30/25**	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**	**9/30/16**
Measurement Date	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**	**9/30/16**	**9/30/15**
Total Pension Liability										
Service cost	$ 215,187	$ 215,970	$ 140,262	$ 182,566	$ 209,596	$ 159,912	$ 179,528	$ 193,067	$ 179,035	$ 188,061
Interest	839,131	713,016	678,834	652,003	620,470	632,386	628,999	581,666	527,269	516,585
Differences between expected and actual experience	84,382	246,874	31,914	233,865	366,667	(641,146)	(329,756)	197,192	75,137	(185,417)
Changes of assumptions	67,374	-	-	240,137	(204,532)	-	489,638	265,465	-	(44,471)
Changes in benefit terms	65,413	1,017,689	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(446,298)	(460,214)	(450,248)	(742,578)	(346,884)	(372,550)	(386,395)	(347,056)	(414,900)	(249,463)
Net change in total pension liability	825,189	1,733,335	400,762	565,993	645,317	(221,398)	582,014	890,334	366,541	225,295
Total pension liability – beginning	11,634,736	9,901,401	9,500,639	8,934,646	8,289,329	8,510,727	7,928,713	7,038,379	6,671,838	6,446,543
Total pension liability – ending (a)	$ 12,459,925	$ 11,634,736	$ 9,901,401	$ 9,500,639	$ 8,934,646	$ 8,289,329	$ 8,510,727	$ 7,928,713	$ 7,038,379	$ 6,671,838
Plan Fiduciary Net Position										
Contributions – employer	$ 231,387	$ 126,442	$ 133,484	$ 115,917	$ 83,749	$ 66,621	$ 64,599	$ 76,619	$ 82,582	$ 92,468
Contributions – state	137,987	124,542	72,154	96,437	97,973	92,349	90,590	90,756	89,139	80,630
Contributions – member	85,317	82,959	105,673	72,448	67,675	62,702	60,092	65,909	64,142	60,142
Net investment income	2,123,985	848,683	(1,252,646)	1,902,952	826,186	245,295	688,375	760,325	525,026	82,306
Benefit payments, including refunds of employee contributions	(446,298)	(460,214)	(450,248)	(742,578)	(346,884)	(372,550)	(386,395)	(347,056)	(414,900)	(249,463)
Administrative expenses	(61,683)	(47,486)	(44,876)	(45,064)	(45,116)	(57,526)	(47,116)	(42,971)	(45,128)	(43,647)
Net change in plan fiduciary net position	2,070,695	674,926	(1,436,459)	1,400,112	683,583	36,891	470,145	603,582	300,861	22,436
Plan fiduciary net position – beginning	9,622,507	8,947,581	10,384,040	8,983,928	8,300,345	8,263,454	7,793,309	7,189,727	6,888,866	6,866,530
Plan fiduciary net position – ending (b)	$ 11,693,202	$ 9,622,507	$ 8,947,581	$ 10,384,040	$ 8,983,928	$ 8,300,345	$ 8,263,454	$ 7,793,309	$ 7,189,727	$ 6,888,966
Net pension liability (asset) – ending (a)-(b)	$ 766,723	$ 2,012,229	$ 953,820	$ (883,401)	$ (49,282)	$ (11,016)	$ 247,273	$ 135,404	$ (151,348)	$ (217,128)
Plan fiduciary net position as a percentage of the total pension liability	93.85%	82.70%	90.37%	109.30%	100.55%	100.13%	97.09%	98.29%	102.15%	103.25%
Covered employee payroll	$ 1,066,455	$ 1,036,984	$ 901,920	$ 905,606	$ 845,939	$ 783,772	$ 751,149	$ 823,863	$ 801,776	$ 892,823
Net pension liability (asset) as a percentage of covered employee payroll	71.89%	194.05%	105.75%	-97.55%	-5.83%	-1.41%	32.92%	16.44%	-18.88%	-24.32%

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

Reporting Period Ending	**9/30/25**	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**	**9/30/16**
Measurement Date	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**	**9/30/16**	**9/30/15**
Total Pension Liability										
Service cost	$ 227,134	$ 206,448	$ 219,556	$ 195,554	$ 172,898	$ 158,852	$ 152,457	$ 138,442	$ 120,267	$ 112,024
Interest	883,778	838,949	780,876	748,217	742,067	699,358	661,185	617,110	584,392	567,389
Differences between expected and actual experience	345,472	119,037	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	186,650	-	-	-	(600,796)	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(766,183)	(447,188)	(484,162)	(448,018)	(459,630)	(420,388)	(423,214)	(420,388)	(787,258)	(361,274)
Net change in total pension liability	876,851	717,246	743,953	415,472	50,905	556,197	485,208	556,103	220,562	424,135
Total pension liability – beginning	11,560,017	10,842,771	10,098,818	9,683,346	9,632,441	9,076,244	8,591,036	8,034,933	7,814,371	7,390,236
Total pension liability – ending (a)	$ 12,436,868	$ 11,560,017	$ 10,842,771	$ 10,098,818	$ 9,683,346	$ 9,632,441	$ 9,076,244	$ 8,591,036	$ 8,034,933	$ 7,814,371
Plan Fiduciary Net Position										
Contributions – employer	$ 557,592	$ 589,243	$ 523,481	$ 486,772	$ 425,560	$ 415,047	$ 383,565	$ 388,046	$ 349,105	$ 272,667
Contributions – state	118,039	118,878	94,531	82,069	70,686	71,083	75,115	77,460	81,560	77,020
Contributions – member	64,953	70,560	66,328	63,613	62,755	61,550	56,922	54,714	50,925	44,832
Net investment income	1,891,450	794,652	(889,789)	839,352	461,216	301,313	497,296	527,323	414,969	(202,680)
Benefit payments, including refunds of employee contributions	(766,183)	(447,188)	(484,162)	(448,018)	(459,630)	(420,388)	(423,214)	(420,388)	(787,258)	(361,274)
Administrative expenses	(55,009)	(38,583)	(28,896)	(22,553)	(31,915)	(29,080)	(21,918)	(17,120)	(24,768)	(30,222)
Net change in plan fiduciary net position	1,810,842	1,087,562	(718,507)	1,001,235	528,672	399,525	567,766	610,035	84,533	(199,657)
Plan fiduciary net position – beginning	7,335,356	6,247,794	6,966,301	5,965,066	5,436,394	5,036,869	4,469,103	3,859,068	3,774,535	4,074,192
Plan fiduciary net position – ending (b)	$ 9,146,198	$ 7,335,356	$ 6,247,794	$ 6,966,301	$ 5,965,066	$ 5,436,394	$ 5,036,869	$ 4,469,103	$ 3,859,068	$ 3,874,535
Net pension liability – ending (a)-(b)	$ 3,290,670	$ 4,224,661	$ 4,594,977	$ 3,132,517	$ 3,718,280	$ 4,196,047	$ 4,039,375	$ 4,121,933	$ 4,175,865	$ 3,939,836
Plan fiduciary net position as a percentage of the total pension liability	73.54%	63.45%	57.62%	68.98%	61.60%	56.44%	55.50%	52.02%	48.03%	49.58%
Covered employee payroll	$ 999,268	$ 1,085,535	$ 1,020,434	$ 978,667	$ 965,459	$ 946,927	$ 875,724	$ 841,749	$ 783,461	$ 811,423
Net pension liability as a percentage of covered employee payroll	329.31%	389.18%	450.30%	320.08%	385.13%	443.12%	461.26%	489.69%	533.00%	485.55%

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

Measurement Period Ended September 30,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Employees' Retirement Plan										
Actuarially determined contribution	$ 664,738	$ 493,352	$ 498,777	$ 532,338	$ 523,748	$ 493,709	$ 598,201	$ 500,108	$ 410,250	$ 493,399
Contributions in relation to the actuarially determined contributions	658,834	484,077	535,500	524,280	524,068	493,709	598,201	500,108	410,250	538,937
Contribution deficiency (excess)	$ 5,904	$ 9,275	$ (36,723)	$ 8,058	$ (320)	$ -	$ -	$ -	$ -	$ (45,538)
Covered employee payroll*	$ 4,923,988	$ 4,365,951	$ 4,191,405	$ 3,671,294	$ 3,080,869	$ 2,758,152	$ 2,612,232	$ 2,273,218	$ 2,125,652	$ 2,294,878
Net pension liability as a percentage of covered employee payroll	13.38%	11.09%	12.78%	14.28%	17.01%	17.90%	22.90%	22.00%	19.30%	23.48%
Police Officers' Retirement Plan										
Actuarially determined contribution	$ 460,033	$ 394,588	$ 266,505	$ 198,422	$ 207,383	$ 203,871	$ 154,403	$ 150,981	$ 158,182	$ 165,968
Contributions in relation to the actuarially determined contribution	463,281	369,374	250,984	239,157	212,354	181,722	158,970	155,189	167,375	171,721
Contribution deficiency (excess)	$ (3,248)	$ 25,214	$ 15,521	$ (40,735)	$ (4,971)	$ 22,149	$ (4,567)	$ (4,208)	$ (9,193)	$ (5,753)
Covered employee payroll*	$ 1,077,361	$ 1,066,455	$ 1,036,984	$ 901,920	$ 905,606	$ 845,989	$ 783,772	$ 751,149	$ 823,863	$ 801,776
Net pension liability as a percentage of covered employee payroll	43.00%	34.64%	24.20%	26.52%	23.45%	21.48%	20.28%	20.66%	20.32%	21.42%
Firefighters' Retirement Plan										
Actuarially determined contribution	$ 756,783	$ 667,438	$ 638,498	$ 604,068	$ 553,926	$ 496,190	$ 496,190	$ 467,637	$ 470,538	$ 406,616
Contributions in relation to the actuarially determined contributions	808,029	675,631	708,121	618,012	568,841	496,246	486,130	458,680	465,506	430,665
Contribution deficiency (excess)	$ (51,246)	$ (8,193)	$ (69,623)	$ (13,944)	$ (14,915)	$ (56)	$ 10,060	$ 8,957	$ 5,032	$ (24,049)
Covered employee payroll*	$ 1,143,074	$ 999,268	$ 1,085,535	$ 1,020,434	$ 978,667	$ 965,459	$ 946,927	$ 875,724	$ 841,749	$ 783,461
Net pension liability as a percentage of covered employee payroll	70.69%	67.61%	65.23%	60.56%	58.12%	51.40%	51.34%	52.38%	55.30%	54.97%

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

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
Interest rate:	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.
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.

Changes in Assumptions
Total Pension Liability as of the September 30, 2024, measurement date reflects the following assumption change:

- The discount rate was updated from 7.20% to 7.10%.

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
Inflation:	2.5% per year
Salary increases:	Service based
Discount rate:	7.25%
Long-term rate of return:	7.25%
Cost-of-living increase:	2% per year (service retirees)
Mortality:	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. 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. Beneficiary Lives: Female: PubG.H-2010 for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Disabled Lives: PubG.H-2010 for Disabled Retirees, set forward three years. All rates are projected generationally with Mortality Improvement Scale MP-2018. The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021, FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Changes in Assumptions

Total Pension Liability as of the September 30, 2024, measurement date reflects the following assumption change:

- The retirement rates were amended to assume that anyone 100% eligible for normal retirement on the valuation date will work an additional year.

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

Valuation Date:	October 1, 2023
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.

Changes in Assumptions

Total Pension Liability as of the September 30, 2024, measurement date reflects the following assumption change:

- The assumed salary increase rates were changed, generally increasing at each service level.

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

Measurement Period Ended September 30,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Employees' Retirement Plan										
Annual Money-Weighted Rate of Return Net of Investment Expense	19.67%	10.50%	-13.01%	20.64%	8.54%	3.17%	8.64%	10.55%	7.77%	1.41%
Police Officers' Retirement Plan										
Annual Money-Weighted Rate of Return Net of Investment Expense	22.30%	9.62%	-12.24%	21.89%	10.08%	3.02%	9.01%	10.73%	7.80%	1.21%
Firefighters' Retirement Plan										
Annual Money-Weighted Rate of Return Net of Investment Expense	25.69%	12.53%	-12.70%	14.02%	8.48%	5.98%	11.15%	13.69%	11.21%	-5.08%

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	**9/30/25**	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**
Measurement Date	**9/30/24**	**9/30/23**	**9/30/22**	**9/30/21**	**9/30/20**	**9/30/19**	**9/30/18**	**9/30/17**
Total OPEB Liability								
Service cost	$ 56,129	$ 48,662	$ 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	-	(121,200)	(462,824)	(175,765)	(9,163)	(112,149)	(269,273)	-
Changes of assumptions	(260,133)	168,725	50,144	(754,996)	(488,945)	(40,938)	(613,804)	-
Interest	84,735	78,175	188,733	260,296	286,276	265,202	292,828	286,716
Explicit benefit payments	(6,761)	(6,816)	(7,416)	(9,830)	(26,734)	(18,096)	(13,246)	(15,054)
Implicit benefit payments	(48,468)	(85,560)	(78,515)	(115,216)	(76,110)	(80,494)	(102,618)	(91,488)
Net change in total OPEB liability	(174,498)	81,986	(1,829,770)	(649,729)	(148,122)	185,682	(530,948)	346,887
Total OPEB liability – beginning	1,164,468	1,082,482	2,912,252	3,561,981	3,710,103	3,524,421	4,055,369	3,708,482
Total OPEB liability – ending (a)	$ 989,970	$ 1,164,468	$ 1,082,482	$ 2,912,252	$ 3,561,981	$ 3,710,103	$ 3,524,421	$ 4,055,369
Plan Fiduciary Net Position								
Explicit contributions - employer	$ -	$ (1,510,223)	$ 92,202	$ 107,877	$ 211,416	$ 95,570	$ 103,169	$ 201,812
Implicit contributions - employer	48,468	85,560	78,515	115,216	76,110	80,494	102,618	91,488
Net investment income	447,228	496,686	(570,318)	748,473	51,086	83,728	213,611	233,075
Explicit benefit payments	(6,761)	(6,816)	(7,416)	(9,830)	(26,734)	(18,096)	(13,246)	(15,054)
Implicit benefit payments	(48,468)	(85,560)	(78,515)	(115,216)	(76,110)	(80,494)	(102,618)	(91,488)
Other	(2,331,376)	-	-	-	-	-	-	-
Administrative expenses	(51,138)	(34,283)	(38,033)	(76)	(37,405)	(35,250)	(33,602)	(32,389)
Net change in plan fiduciary net position	(1,942,047)	(1,054,636)	(523,565)	846,444	198,363	125,952	269,932	387,444
Plan fiduciary net position – beginning	2,344,000	3,398,636	3,922,201	3,075,757	2,877,394	2,751,442	2,481,510	2,094,066
Plan fiduciary net position – ending (b)	$ 401,953	$ 2,344,000	$ 3,398,636	$ 3,922,201	$ 3,075,757	$ 2,877,394	$ 2,751,442	$ 2,481,510
Net OPEB liability (asset) – ending (a)-(b)	$ 588,017	$ (1,179,532)	$ (2,316,154)	$ (1,009,949)	$ 486,224	$ 832,709	$ 772,979	$ 1,573,859
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	40.60%	201.29%	313.97%	134.68%	86.35%	77.56%	78.07%	61.19%
Covered employee payroll	$ 6,387,665	$ 6,026,099	$ 5,948,390	$ 6,169,525	$ 6,195,221	$ 5,477,286	$ 5,350,280	$ 5,245,372
Net OPEB liability (asset) as a percentage of covered employee payroll	9.21%	19.57%	38.94%	16.37%	7.85%	15.20%	14.45%	30.00%

This schedule is intended to present information for the last 10 fiscal years. Additional years will be added as they become available.

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

Measurement Period Ended September 30,	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ -	$ -	$ -	$ 146,360	$ 235,066	$ 247,658	$ 247,086	$ 321,320
Contributions in relation to the actuarially determined contributions	-	(1,510,223)	92,202	107,877	211,416	95,570	103,169	201,812
Contribution deficiency (excess)	$ -	$ 1,510,223	$ (92,202)	$ 38,483	$ 23,650	$ 152,088	$ 143,917	$ 119,508
Covered employee payroll	$ 6,387,665	$ 6,026,099	$ 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	0.00%	-25.06%	1.55%	1.75%	3.41%	1.74%	1.97%	3.46%

This schedule is intended to present information for the last 10 fiscal years. Additional years will be added as they become available.

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

Measurement Period Ended September 30,	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Annual Money-Weighted Rate of Return	19.08%	21.18%	-15.80%	18.95%	8.18%	5.44%	8.23%

*Net of Investment Expense

**This schedule is intended to present information for the last 10 years. Additional years will be added as they become available.*

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

Valuation Date:	October 1, 2023
Measurement Date:	September 30, 2024
Fiscal Year End Date:	September 30, 2025
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
Interest rate:	7.1% per year, compounded annually, net of investment related expenses.
Healthcare inflation:	Initial rate of 8.50% in fiscal 2024-2025 grading down to the ultimate trend rate of 4.00% in fiscal 2075.
Payroll growth:	Varies by service
Inflation:	2.5% per year

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.

Community Redevelopment Agency Fund

This fund is used to account for the revenues and expenditures of the redevelopment areas established within the City.

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, 2025

	Police Special Investigation	Community Redevelopment Agency	Debt Service	Total Non-Major Governmental Funds
ASSETS				
Restricted cash	$ -	$ 201,989	$ -	$ 201,989
TOTAL ASSETS	$ -	$ 201,989	$ -	$ 201,989
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	$ -	$ 15,761	$ -	$ 15,761
Fund balance				
Restricted				
Community redevelopment	-	186,228	-	186,228
Total fund balance	-	186,228	-	186,228
TOTAL LIABILITIES AND FUND BALANCE	$ -	$ 201,989	$ -	$ 201,989

CITY OF MILTON, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Police Special Investigation	Community Redevelopment Agency	Debt Service	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	$ -	$ 190,915	$ -	$ 190,915
Charges for services	-	8,760	-	8,760
Fines and forfeits	650	-	-	650
Miscellaneous	7	97	145	249
Total revenues	657	199,772	145	200,574
EXPENDITURES				
Current				
Economic environment	-	88,094	-	88,094
Capital outlay	-	63,281	-	63,281
Total expenditures	-	151,375	-	151,375
EXCESS OF REVENUES OVER EXPENDITURES	657	48,397	145	49,199
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,146)	-	(233,069)	(245,215)
Total other financing uses	(12,146)	-	(233,069)	(245,215)
NET CHANGE IN FUND BALANCE	(11,489)	48,397	(232,924)	(196,016)
FUND BALANCE, BEGINNING	11,489	137,831	232,924	382,244
FUND BALANCE, ENDING	$ -	$ 186,228	$ -	$ 186,228

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, 2025

	Stormwater Fund	Marina Fund	Total Non-Major Funds
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 267,972	$ 267,972
Due from other governments	841,762	-	841,762
Due from other funds	25,276	-	25,276
Receivables, net	46,916	-	46,916
Total current assets	913,954	267,972	1,181,926
Capital assets			
Non-depreciable	1,542,298	519,404	2,061,702
Depreciable, net	253,373	-	253,373
Total capital assets	1,795,671	519,404	2,315,075
TOTAL ASSETS	2,709,625	787,376	3,497,001
LIABILITIES			
Current liabilities			
Accounts payable	100,706	2,662	103,368
Retainage payable	78,325	-	78,325
Due to other funds	399,382	-	399,382
TOTAL LIABILITIES	578,413	2,662	581,075
NET POSITION			
Net investment in capital assets	1,717,346	519,404	2,236,750
Unrestricted	413,866	265,310	679,176
TOTAL NET POSITION	$ 2,131,212	$ 784,714	$ 2,915,926

CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Stormwater Fund	Marina Fund	Total Non-Major Funds
OPERATING REVENUES			
Charges for services	$ 227,678	$ 50,083	$ 277,761
OPERATING EXPENSES			
Operating	182,480	16,423	198,903
Depreciation	38,029	-	38,029
Total operating expenses	220,509	16,423	236,932
OPERATING INCOME	7,169	33,660	40,829
NON-OPERATING REVENUES			
Interest income	421	1,133	1,554
Total non-operating revenues	421	1,133	1,554
INCOME BEFORE CAPITAL CONTRIBUTIONS	7,590	34,793	42,383
Capital contributions	987,733	-	987,733
CHANGE IN NET POSITION	995,323	34,793	1,030,116
NET POSITION, BEGINNING	1,135,889	749,921	1,885,810
NET POSITION, ENDING	$ 2,131,212	$ 784,714	$ 2,915,926

CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Stormwater Fund	Marina Fund	Total Non-Major Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 223,420	$ 50,144	$ 273,564
Payments to suppliers	(85,342)	(18,845)	(104,187)
Net cash provided by operating activities	138,078	31,299	169,377
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisitions of capital assets	(1,137,714)	-	(1,137,714)
Increase in retainage payable	78,325	-	78,325
Capital contributions and grants	145,971	-	145,971
Net cash used in capital financing activities	(913,418)	-	(913,418)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund activity	374,106	-	374,106
Net cash provided by non-capital and related financing activities	374,106	-	374,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	421	1,133	1,554
NET CHANGE IN CASH AND CASH EQUIVALENTS	(400,813)	32,432	(368,381)
CASH AND CASH EQUIVALENTS, BEGINNING	400,813	235,540	636,353
CASH AND CASH EQUIVALENTS, ENDING	$ -	$ 267,972	$ 267,972

	Stormwater Fund	Marina Fund	Total Non-Major Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 7,169	$ 33,660	$ 40,829
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	38,029	-	38,029
(Increase) decrease in assets:			
Accounts receivable	(4,258)	61	(4,197)
Increase (decrease) in liabilities:			
Accounts payable	97,138	(2,422)	94,716
Net cash provided by operating activities	$ 138,078	$ 31,299	$ 169,377

COMPLIANCE SECTION

CITY OF MILTON, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal or State Grantor / Pass Through Grantor / Program Title	Assistance Listing No./CSFA	Contract / Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Florida Department of Agriculture and Consumer Services				
Cooperative Forestry Assistance Program	10.664	23-DG-11083112-430	$ 17,953	$ -
U.S. Department of Homeland Security				
Florida Division of Emergency Management				
Disaster Grants - Public Assistance	97.036	Z2576	102,337	-
Florida Division of Emergency Management				
Hazard Mitigation Grant Program	97.039	H0996	136,837	-
Hazard Mitigation Grant Program	97.039	H0855	17,109	-
			153,946	-
U.S. Department of Transportation				
Direct Program				
Natural Gas Distribution Infrastructure Safety and Modernization Grant Program	20.708	693JK32440001NGDI	1,224,957	-
U.S. Department of Treasury				
Direct Program				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	FL0210	3,493,375	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,992,568	$ -
Florida Department of Environmental Protection				
Statewide Water Quality Restoration Projects	37.039	LPA0194	$ 704,925	$ -
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Program	37.017	A24032	104,625	-
Florida Department of Commerce				
Division of Housing and Community Development	40.038	HL173	33,796	-
Florida Department of Management Services				
Local Government Cybersecurity Grant Program	72.016	DMS-24/25-381	45,261	-
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			$ 888,607	$ -

See notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of the City of Milton, Florida (the City), under programs of the federal and state governments for the year ended September 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*, *Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the State of Florida Auditor General*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.550, *Rules of the State of Florida Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to utilize the 15% de minimis indirect cost rate allowed under the Uniform Guidance.

3. EXPENDITURES INCURRED IN PRIOR FISCAL YEAR

Expenditures of $102,337 reported under federal assistance listing number (ALN) 97.036 in the accompanying Schedule were incurred in a prior fiscal year and obligated by Federal Emergency Management Agency (FEMA) in the current fiscal year.

Expenditures of $17,109 reported under ALN 97.039 in the accompanying Schedule were incurred in a prior fiscal year.

4. CONTINGENCY

The grant revenue accounts are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such audit, any claim for reimbursement to the grant agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Warren Averett
CPAs AND ADVISORS

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Pensacola, FL 32502
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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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 1, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

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, noncompliance 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-003.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
September 1, 2026

Warren Averett
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND 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 Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Milton, Florida (the City)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement,* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2025. The City's major federal programs and state project are 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 each of its major federal programs and state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the State of Florida Auditor General*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the State of Florida Auditor General,* 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 federal program and 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 federal programs and 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*, the Uniform Guidance, and Chapter 10.550, *Rules of the State of Florida Auditor General,* 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 the City's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, *Rules of the State of Florida Auditor General,* 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 the Uniform Guidance, and Chapter 10.550, *Rules of the State of Florida Auditor General,* 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.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as item 2025-005. Our opinion on each major federal program and state project is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we considered to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or 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 federal program or 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 federal program or 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. We consider the deficiency in internal control over compliance described in the accompany schedule of findings and questioned costs as item 2025-004 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the State of Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Pensacola, Florida
September 1, 2026

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CPAs AND ADVISORS

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INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE STATE OF FLORIDA 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, 2025. 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, 2025.

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

Warren Averett, LLC

Pensacola, Florida
September 1, 2026

CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	✔ yes ____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ yes ✔ none reported
Noncompliance material to financial statements noted?	✔ yes ____ no

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Internal control over major programs and project:	
Material weakness(es) identified?	____ yes ✔ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	✔ yes ____ none reported
Type of auditors' report issued on compliance for major programs and project:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or Chapter 10.557, *Rules of the State of Florida Auditor General*?	✔ yes ____ no

IDENTIFICATION OF MAJOR PROGRAMS AND PROJECT

Federal Programs

Federal Assistance Listing No. 20.708 Natural Gas Distribution Infrastructure Safety and Modernization Grant Program

Federal Assistance Listing No. 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	$1,000,000
Auditee qualified as low-risk auditee?	____ yes ✔ no

State Project

CSFA No. 37.039 Statewide Water Quality Restoration Projects

Dollar threshold used to distinguish between type A and type B projects:	$300,000

II. FINANCIAL STATEMENT FINDINGS

Findings required to be reported in accordance with *Government Auditing Standards*:

FINDING 2025-001 FINANCIAL REPORTING AND TIMELINESS OF RECONCILIATIONS – MATERIAL WEAKNESS

Criteria
The City's internal control over financial reporting should provide assurance that transactions are accurately recorded, accounts are reconciled on a timely basis, and accurate financial information is available to prepare financial statements in accordance with generally accepted accounting principles. Timely preparation and review of account reconciliations are essential controls to identify and correct errors.

Condition
During the year ended September 30, 2025, account reconciliations were not prepared or reviewed on a timely basis. Specifically, bank reconciliations were not completed and reviewed consistently during the year, capital asset subsidiary records were not reconciled timely to the general ledger, and other significant account balances were not adequately reconciled to supporting documentation. In addition, audit adjustments were required to properly agree beginning fund balances and net position to the prior year's audited financial statements and to correct account balances used in the preparation of the current year financial statements.

Cause
Although the City had established procedures related to monthly account reconciliations and financial reporting, those procedures were not consistently performed during the fiscal year.

Effect
As a result of the condition identified above, errors were not identified and corrected in the normal course of operations and inaccurate financial information was provided to management and governance. Significant audit adjustments were required to correct the accounting records, reconcile pooled cash and capital asset balances, properly roll forward beginning balances from the prior year, and prepare accurate financial statements in accordance with generally accepted accounting principles.

Repeat Finding
This is not a repeat finding.

Recommendation
Management should strengthen oversight of the financial reporting process and ensure all key reconciliations are prepared and reviewed on a timely basis throughout the year. Monthly bank reconciliations, capital asset reconciliations, grant reconciliations, and other significant balance sheet account reconciliations should be completed and independently reviewed by an individual with the appropriate skills, knowledge, and experience in a timely manner. Management should also establish procedures to ensure beginning balances are properly rolled forward from prior-year audited financial statements and that any differences are

investigated and resolved promptly. Evidence of preparation and review of reconciliations should be maintained to demonstrate compliance with established procedures.

View of Responsible Officials
See management's view and corrective action plan at the end of this report.

FINDING 2025-002 GRANT REVENUE RECOGNITION – MATERIAL WEAKNESS

Criteria
The City's internal control over financial reporting should be designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, a material misstatement on a timely basis. Pursuant to GASB Statement No. 33, recipients of expenditure-driven grants should recognize revenue as qualifying expenditures are incurred.

Condition
Supporting documentation for grant revenues and expenditures did not reconcile to the accounting records and to the Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA).

Cause
Reconciliation of grant activities for financial reporting purposes was not prepared and reviewed on a timely basis by appropriately experienced and trained personnel. While the City has a written policy for grant administration activities, that policy does not provide the guidance necessary to facilitate financial reporting of grant activities in accordance with U.S. generally accepted accounting principles as well as preparation of the SEFA required by the Uniform Guidance.

Effect
Adjustments were required to properly reconcile grant activity for financial reporting purposes and to prepare the SEFA.

Repeat Finding
This is not a repeat finding.

Recommendation
Management should review grant policies and procedures with key personnel to ensure the process for estimating the year-end grant accrual balances include matching grant revenues with related qualifying expenditures. These policies should reflect who is responsible for preparing and reviewing the reconciling schedule of grant activities for financial reporting purposes as well as preparation of the SEFA.

View of Responsible Officials
See management's view and corrective action plan at the end of this report.

FINDING 2025-003 LATE ANNUAL FINANCIAL REPORT FILING – NONCOMPLIANCE

Criteria
Section 218.32, *Florida Statutes*, requires local governments to complete and submit an Annual Financial Report (AFR) to the Florida Department of Financial Services within nine months after the end of the fiscal year. In addition, Section 218.39, Florida Statutes, requires the audited annual financial report and related auditor reports to be submitted to the State of Florida Auditor General within 45 days after receipt of the auditors' report, but no later than nine months after the fiscal year end. The City is responsible for maintaining adequate accounting records and financial reporting processes to ensure compliance with these statutory reporting deadlines.

Condition
The City did not meet the required filing deadlines for submission of its annual financial report to the Florida Department of Financial Services and audited financial statements to the State of Florida Auditor General for the fiscal year ended September 30, 2025.

Cause
Although the City had established policies and procedures requiring the preparation and review of key account reconciliations and financial reporting activities, those controls were not consistently performed during the fiscal year.

Effect
The City may be out of compliance with Florida Statutes related to annual financial reporting requirements.

Repeat Finding
This is not a repeat finding.

Recommendation
The City should strengthen its financial reporting processes and ensure key reconciliations are completed and reviewed on a timely basis throughout the year. Timely completion of these reconciliations will assist the City in maintaining accurate accounting records, preparing reliable financial information, and meeting all statutory financial reporting deadlines.

View of Responsible Officials
See management's view and corrective action plan at the end of this report.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AND MAJOR STATE PROJECTS

Findings required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the State of Florida Auditor General*.

FINDING 2025-004 EQUIPMENT AND REAL PROPERTY MANAGEMENT – SIGNIFICANT DEFICIENCY

United States Department of Transportation
20.708 - Natural Gas Distribution Infrastructure Safety and Modernization Grant Program

Florida Department of Environmental Protection
37.039 – Statewide Water Quality Restoration Projects

Criteria
Section 200.313(d) of the Cost Principles of the Title 2 U.S. *Code of Federal Regulations* Part 200—*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Florida Single Audit Act, Section 215.97, Florida Statutes, requires an entity to maintain identifying records for property acquired with federal and state funds. Additional equipment and real property requirements are contained in 2 CFR 200.311 and 48 CFR 52.245-1. These requirements state property records must include a description of the property, a serial number or another identification number, the funding source (including the federal or state awarding agency identification number), the title holder, the acquisition date, the cost of the property, the percentage of the federal or state agency contribution towards the original purchase, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property.

Condition
The fixed asset listing maintained by the City for assets acquired with federal and state funds did not contain all required elements.

Cause
The City does not have an established policy that meets the requirements of the criteria noted above.

Effect
Equipment and real property acquired with federal awards and state financial assistance is not consistently tracked to ensure compliance with applicable regulations.

Questioned Costs
None

Repeat Finding
This is not a repeat finding.

Context
Grant-specific identifying information is not maintained for assets acquired with federal and state funds. As a result, asset records do not independently indicate whether an asset was federally or state funded or reference key grant details, such as the funding source or identification number.

Recommendation
The City should establish and follow a policy for tracking and identifying fixed assets acquired with federal and state grants.

Views of Responsible Officials
See management's view and corrective action plan at the end of this report.

FINDING 2025-005 TIMELY SUBMISSION OF SINGLE AUDIT REPORTING PACKAGE – NONCOMPLIANCE

Federal Program: All Programs

Criteria
2 CFR Section 200.512(a) requires the reporting package and Data Collection Form (DCF) to be submitted to the Federal Audit Clearinghouse (FAC) by the earlier of 30 calendar days after the reports are received from the auditor or nine months after fiscal year end.

Condition
The City did not meet this filing requirement related to timely submission of the Single Audit reporting package for the fiscal year ended September 30, 2025.

Cause
Although the City had established policies and procedures requiring the preparation and review of key account reconciliations and financial reporting activities, those controls were not consistently performed during the fiscal year.

Effect
The City is not in compliance with the Uniform Guidance requirements regarding the filing of the Single Audit reporting package.

Questioned Costs
None

Repeat Finding
This is not a repeat finding.

Recommendation
The City should strengthen its financial reporting processes and ensure key reconciliations are completed and reviewed on a timely basis throughout the year. Timely completion of these reconciliations will assist the City in maintaining accurate accounting records, preparing reliable financial information, and meeting all statutory financial reporting deadlines.

Views of Responsible Officials
See management's view and corrective action plan at the end of this report.

CITY OF MILTON, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

There were no findings reported in the prior year which require management's response.

City of Milton

CITY OF MILTON, FLORIDA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The City respectfully submits the following corrective action plan for the year ended September 30, 2025.

Name and address of independent public accounting firm:
Warren Averett, LLC
350 W Cedar Street, Suite 400
Pensacola, Florida 32502

The findings from the schedule of findings and questioned costs for the year ended September 30, 2025, are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and questioned costs.

Name of Contact Person for Completing Corrective Action Plan:
Laura McDill, Finance Director
850-983-5417
lmcdill@miltonfl.org

Expected date of completion is September 30, 2026.

FINDING 2025-001 FINANCIAL REPORTING AND TIMELINESS OF RECONCILIATIONS – MATERIAL WEAKNESS

Management acknowledges that the established procedures related to monthly account reconciliations were not consistently performed during the fiscal year. The new Finance Director and Comptroller will work collaboratively to establish and implement a formal reconciliation process, including defined responsibilities and expected completion timeframes for monthly, quarterly, and annual reconciliations. Consistent with guidance from the Government Finance Officers Association (GFOA), the City will implement a period-end closing checklist designed to promote the completeness, accuracy, and timeliness of financial reporting. The checklist will identify general ledger accounts and subsidiary records requiring reconciliation or account analysis and will establish a frequency appropriate to the nature, materiality, and risk associated with each account.

Significant and higher-risk accounts will be reconciled monthly. These accounts are expected to include, but are not limited to, cash and bank accounts, capital assets, grants, and other significant balance sheet accounts. The reconciliation process will also include procedures for identifying, documenting, investigating, and resolving reconciling items in a timely manner.

These changes will strengthen the City's financial reporting controls and establish a consistent and documented reconciliation process to ensure that financial information is complete, accurate, and available on a timely basis.

FINDING 2025-002 GRANT REVENUE RECOGNITION – MATERIAL WEAKNESS

While grant performance files were correct, complete, and sufficient to provide accurate, detailed support documentation for all grant revenues and expenditures, management acknowledges that this support did not reconcile to the accounting records and adjustments were required for the SEFA. Management acknowledges the finding and recognizes the need to strengthen the Finance Department's process for the timely identification, recognition, and reconciliation of grant revenue. The City's existing Grant Administration Policies provided appropriate guidance for the administration and monitoring of grant activities, including documentation of grant expenditures and reimbursement requests to confirm the grant work occurred even when the book entries may have been inaccurate. The issue identified primarily relates to the timely communication and recognition of qualifying grant activity within the City's financial accounting records and the timely reconciliation of those records.

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, provides guidance for the recognition of grant revenue. For expenditure-driven grants, revenue is generally recognized as applicable eligibility requirements are met, including as qualifying expenditures are incurred. The Finance Department will implement an enhanced review process to identify qualifying grant activity and ensure revenue is recorded in the appropriate accounting period in accordance with applicable accounting standards.

The Finance Department will also incorporate grant revenue and expenditure reconciliations into its ongoing financial close and year-end reporting processes. These reviews will include comparisons of grant activity to supporting documentation and, when applicable, amounts reported on the SEFA and Schedule of State Financial Assistance. The Finance Director and Comptroller will oversee this process and ensure appropriate reviews are performed by Finance personnel that will include the process of estimating the year-end grant accrual balances, including matching grant revenues with related qualifying expenditures.

These corrective actions will strengthen the City's financial controls over grant accounting while maintaining the City's existing grant administration policies. The City will continue to follow applicable GASB, GAAP, federal, and state requirements for the recognition and reporting of grant activity.

This is not a repeat finding. During this fiscal year, the existing processes were uniquely tested when American Rescue Plan Act (ARPA) grant revenues were obligated to a single project was terminated and then obligated to multiple, alternative projects. While all ARPA funds were successfully obligated and expended on eligible grant projects during the fiscal year, the City's financial controls over grant accounting were insufficient to successfully handle that challenge.

FINDING 2025-003 LATE ANNUAL FINANCIAL REPORT FILING – NONCOMPLIANCE

Management acknowledges the finding that the City did not meet the required filing deadlines, and recognizes the importance of completing the City's annual financial reporting and audit process within the statutory filing deadlines established by the State of Florida Auditor General.

The delay in filing the City's annual financial report was primarily attributable to delays in completing account reconciliations and related financial reporting procedures necessary to finalize the City's financial records and facilitate completion of the annual audit.

As discussed in Management's responses to Findings 2025-001, Financial Reporting and Timeliness of Reconciliations, and 2025-002, Grant Revenue Recognition, the City is implementing improvements to its financial reporting processes, including defined reconciliation procedures and completion timeframes, a period-end closing checklist, strengthened grant reconciliation procedures, supervisory review, and additional training and oversight for Finance Department personnel.

These corrective actions are intended to improve the accuracy and timeliness of the City's monthly and year-end financial close-out process. By completing reconciliations and related financial reporting procedures throughout the fiscal year on a timely basis, the City will be better positioned to provide complete and accurate financial records to the independent auditors and facilitate completion of the annual audit within the required timeframe.

The new Finance Director and Comptroller will monitor the year-end closing and audit preparation process and coordinate with the City's independent auditors to address outstanding items timely. Management is committed to ensuring that future annual financial reports are completed and filed within the applicable statutory deadlines.

FINDING 2025-004 EQUIPMENT AND REAL PROPERTY MANAGEMENT – SIGNIFICANT DEFICIENCY

Management agrees with the finding that the fixed asset listing maintained by the City for assets acquired with federal and state funds did not contain all required elements and further recognizes the importance of maintaining complete and accurate property records for assets acquired with federal and state financial assistance.

The City will update its existing fixed assets and grant administration policies to establish specific requirements for identifying and tracking property acquired with federal and state funds in accordance with applicable federal and state regulations. The updated procedures will require the fixed asset records to include, as applicable, the property description, serial number or other identification number, funding source and applicable award identification number, title holder, acquisition date, acquisition cost, percentage of federal or state participation, location, use and condition, and disposition information.

As part of the corrective action, the Finance Department will review the existing fixed asset records for federally and state-funded assets and update the records to include the required information. Procedures will also be established to ensure that applicable information is captured when assets are acquired and maintained throughout the asset's useful life, including when assets are transferred, disposed of, or otherwise removed from service.

The new Finance Director and Comptroller will oversee implementation of the updated procedures and provide appropriate guidance to personnel responsible for purchasing, grant administration, and fixed asset management. These measures will strengthen the City's internal controls and ensure that property acquired with federal and state financial assistance is consistently identified, tracked, and reported in accordance with applicable requirements.

FINDING 2025-005 TIMELY SUBMISSION OF SINGLE AUDIT REPORTING PACKAGE-NONCOMPLIANCE

Management acknowledges the finding that City did not comply with established policies and procedures that requires the preparation and review of key account reconciliations and financial reporting activities and recognizes the importance of submitting the Single Audit reporting package and Data Collection Form within the timeframe required by 2 CFR Section 200.512(a).

The delay in submitting the fiscal year 2025 Single Audit reporting package was primarily attributable to delays in completing account reconciliations and related financial reporting activities necessary to finalize the City's financial records and complete the annual audit process.

As discussed in Management's responses to the related findings regarding the timeliness of reconciliations, grant revenue recognition, and annual financial report filings, the City is implementing strengthened financial reporting and grant management procedures. These corrective actions include establishing defined reconciliation procedures and completion timeframes, implementing a period-end closing checklist, strengthening grant reconciliation and reporting procedures, and providing additional oversight and training for Finance Department personnel.

The new Finance Director and Comptroller will monitor the year-end closing, grant reporting, and audit preparation processes to ensure that required financial information is completed and provided to the City's independent auditors in a timely manner. Management will also monitor the submission of the Single Audit reporting package and Data Collection Form to ensure compliance with the applicable federal filing deadline.

The City is committed to implementing these corrective actions to ensure that future Single Audit reporting packages are submitted to the Federal Audit Clearinghouse within the timeframe required by the Uniform Guidance.

Warren Averett
CPAs AND ADVISORS

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STATE OF FLORIDA AUDITOR GENERAL 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 (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated September 1, 2026.

Auditors' Responsibility
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the State of Florida Auditor General.*

Other Reporting Requirements
We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project, and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; 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 State of Florida Auditor General*. Disclosures in those reports and schedule, which are dated September 1, 2026, should be considered in conjunction with this management letter.

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

Financial Condition and Management
Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the State of Florida Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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 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 State of Florida Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 State of Florida Auditor General*, requires that we communicate in the management letter any recommendations to improve financial management. We had no such findings.

Property Assessed Clean Energy (PACE) Programs
As required by Section 10.554(1)(i)6.a., *Rules of the State of Florida Auditor General*, the City did not operate a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the City’s geographical boundaries during the fiscal year under audit.

Special District Component Units
Section 10.554(1)(i)5.d, *Rules of the State of Florida Auditor General*, requires that we determine whether or not a special district that is a component unit of 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 has no component units that are special districts.

Additional Matters
Section 10.554(1)(i)3., *Rules of State of Florida Auditor General*, requires that we communicate noncompliance with provisions of contracts or grant agreements 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 State of 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.

Warren Averett, LLC

Pensacola, Florida
September 1, 2026