



Financial Statements and
Supplementary Information

Fiscal Year Ended September 30, 2017



INTRODUCTORY SECTION

**CITY OF MILTON, FLORIDA
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FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Florida (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Florida, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Community Redevelopment Agency Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-16, Pension and OPEB Schedules, as outlined the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milton, Florida's basic financial statements. The Combining Non-Major Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Non-Major Fund Financial Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Non-Major Fund Financial Statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2018, on our consideration of the City of Milton, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milton, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
March 15, 2018

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**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$38.4 million (net position), which represents an increase of \$134 thousand from the prior year. Of this amount, \$26.2 million represents net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$5.1 million is restricted for future obligations, and \$7.1 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The net position of the governmental-type activities of the City increased by \$323 thousand from the prior year.
- The net position of the business-type activities of the City decreased by \$189 thousand from the prior year.
- The City's governmental funds reported combined ending fund balances of \$4.7 million, an increase of \$555 thousand. Approximately \$1.4 million (or 28%) of the ending fund balances are nonspendable, restricted, or assigned, and \$3.4 million (or 72%) is available for spending.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3.4 million, or approximately six months of General Fund operating expenditures.
- During 2017, the unfunded net pension liability increased by approximately \$402 thousand (police, fire and general employees), for a total liability of \$6.4 million at year-end. Of this increase, \$344 thousand relates to governmental activities, and \$58 thousand relates to business type activities. The net pension liability is estimated based on actuarial studies and required as part of the pension reform standards.

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

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges for services (business-type activities). The governmental activities of the City include general government (City Clerk, City Council, City Manager, human resources, finance, purchasing, fleet maintenance, service maintenance, administration, public works, and non-departmental expenses), public safety (police and fire), transportation (streets), economic environment, culture and recreation (parks), special revenue (Police Special Investigations, Red Light Camera Operations), capital projects, and debt service. The business-type activities of the City include natural gas, water and sewer, sanitation, Sundial utilities, and the non-major funds (marina and stormwater). The government-wide financial statements are found on pages 17-18 of this report.

Fund Financial Statements

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

FUNDS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 19-24 of this report are the basic governmental fund financial statements.

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

The City maintains the following individual governmental funds: General Fund, Community Redevelopment Agency (CRA) Fund, Police Special Investigation Fund, Red Light Camera Fund, Downtown Redevelopment 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 Community Redevelopment Agency Fund which are considered major funds. Data from the other governmental funds (Police Special Investigation Fund, Downtown Redevelopment Fund, Red Light Camera Fund, Capital Projects 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 and can be found on pages 89-92 in the report.

The City adopts an annual appropriated budget for its General Fund and CRA fund. A budgetary comparison statement is provided for each of these funds to demonstrate compliance with the budget, which is found on pages 23-24 of this report.

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).

The enterprise fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Found on pages 25-28 are the basic enterprise fund financial statements, which include separate presentations of the four major enterprise funds (natural gas, water and sewer, sanitation, Sundial utilities). Data from the other two proprietary funds (marina and stormwater) are combined into a single, aggregated presentation and can be found on pages 93-94 in the report.

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. Found on pages 31-32 of this report are the basic fiduciary fund financial statements.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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. Beginning on page 33 of this report are the notes to the 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. Found on pages 76-88 of this report is the required supplementary information.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds are presented immediately following the required supplementary information on pensions. Found on pages 89-94 of this report are the Combining Fund Statements.

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 \$38.4 million (net position) for the fiscal year, as reported in Table 1. As reported in Table 2, the overall increase in the City's net position was \$134 thousand during the fiscal year.

By far the largest portion of the City's net position, \$26.2 million (or 68%) 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 \$5.1 million (or 11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$7.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Table 1
**CITY OF MILTON, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other asset	\$ 5,259,499	\$ 4,449,292	\$ 12,956,708	\$ 12,203,639	\$ 18,216,207	\$ 16,652,931
Capital assets	10,199,006	10,440,052	22,887,999	24,630,587	33,087,005	35,070,639
Total assets	<u>15,458,505</u>	<u>14,889,344</u>	<u>35,844,707</u>	<u>36,834,226</u>	<u>51,303,212</u>	<u>51,723,570</u>
Total deferred outflows of resources	<u>2,250,163</u>	<u>2,302,152</u>	<u>353,990</u>	<u>341,966</u>	<u>2,604,153</u>	<u>2,644,118</u>
Long-term liabilities outstanding	6,695,709	6,444,709	7,833,028	8,687,258	14,528,737	15,131,967
Other liabilities	328,651	161,176	337,083	253,399	665,734	414,575
Total liabilities	<u>7,024,360</u>	<u>6,605,885</u>	<u>8,170,111</u>	<u>8,940,657</u>	<u>15,194,471</u>	<u>15,546,542</u>
Total deferred inflows of resources	<u>268,805</u>	<u>492,923</u>	<u>21,941</u>	<u>40,272</u>	<u>290,746</u>	<u>533,195</u>
Net position						
Net investment in capital assets	9,627,486	9,808,733	16,547,284	17,354,313	26,174,770	27,163,046
Restricted	861,034	640,038	4,236,942	3,164,012	5,097,976	3,804,050
Unrestricted (deficit)	<u>(73,017)</u>	<u>(356,083)</u>	<u>7,222,419</u>	<u>7,676,938</u>	<u>7,149,402</u>	<u>7,320,855</u>
Total net position	<u>\$ 10,415,503</u>	<u>\$ 10,092,688</u>	<u>\$ 28,006,645</u>	<u>\$ 28,195,263</u>	<u>\$ 38,422,148</u>	<u>\$ 38,287,951</u>

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Governmental activities increased the City's net position by \$323 thousand and business-type activities decreased the City's net position by \$189 thousand. Reported in Table 2 are the key elements of these increases.

**Table 2
CITY OF MILTON, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 1,608,835	\$ 1,306,740	\$ 12,353,571	\$ 12,687,942	\$ 13,962,406	\$ 13,994,682
Capital grants and contributions	782,058	129,539	495,228	366,076	1,277,286	495,615
General revenues						
Property taxes	1,013,516	981,028	-	-	1,013,516	981,028
Other taxes	1,717,815	1,283,337	-	-	1,717,815	1,283,337
Other revenue	1,393,120	1,500,384	72,772	80,702	1,465,892	1,581,086
TOTAL REVENUES	6,515,344	5,201,028	12,921,571	13,134,720	19,436,915	18,335,748
EXPENSES						
Primary government						
General government	2,280,018	2,130,078	-	-	2,280,018	2,130,078
Public safety	4,158,060	3,815,324	-	-	4,158,060	3,815,324
Transportation	1,027,156	1,116,403	-	-	1,027,156	1,116,403
Economic environment	79,759	78,520	-	-	79,759	78,520
Culture and recreation	1,547,521	1,445,643	-	-	1,547,521	1,445,643
Debt service interest	19,573	29,778	-	-	19,573	29,778
Business-type activities						
Natural gas	-	-	2,721,547	2,523,988	2,721,547	2,523,988
Water and sewer	-	-	5,613,357	5,317,340	5,613,357	5,317,340
Sanitation	-	-	1,266,209	1,044,808	1,266,209	1,044,808
Sundial utilities	-	-	405,047	405,246	405,047	405,246
Non-major proprietary funds	-	-	184,471	205,869	184,471	205,869
TOTAL EXPENSES	9,112,087	8,615,746	10,190,631	9,497,251	19,302,718	18,112,997
Increase (decrease) in net position before transfers	(2,596,743)	(3,414,718)	2,730,940	3,637,469	134,197	222,751
Transfers	2,919,558	3,056,431	(2,919,558)	(3,056,431)	-	-
Increase (decrease) in net position	322,815	(358,287)	(188,618)	581,038	134,197	222,751
NET POSITION, BEGINNING	10,092,688	10,450,975	28,195,263	27,614,225	38,287,951	38,065,200
NET POSITION, ENDING	\$ 10,415,503	\$ 10,092,688	\$ 28,006,645	\$ 28,195,263	\$ 38,422,148	\$ 38,287,951

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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

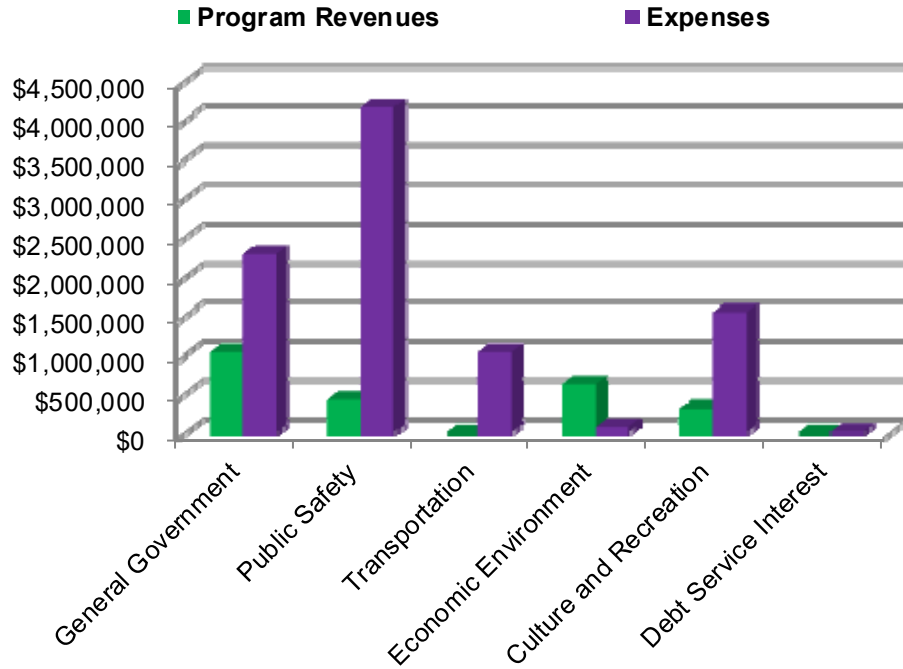
- **Introduction of New Programs:** Within functional expense categories (police, fire, public works, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- **Authorized Position Adjustments:** Changes in service demand may cause the City Council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

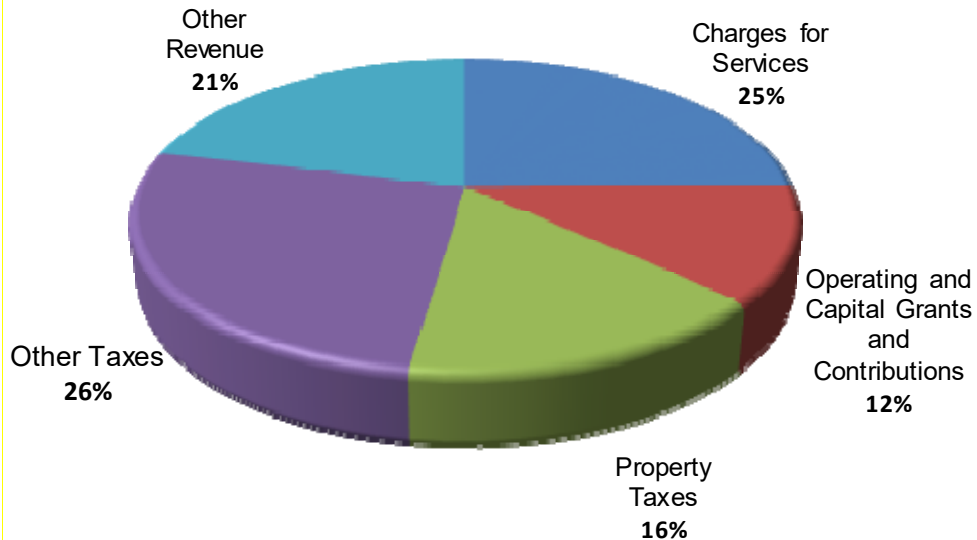
- **Charges for services** increased by approximately \$302 thousand which was primarily due to the fire special assessment levied during the year to provide additional funding for fire protection resources.
- **Capital grants and contributions** increased by approximately \$653 thousand due to a CDBG grants expended during the year for improvements at the Canal Street corridor and Gill Bass Park.
- **Other taxes** increased by approximately \$435 thousand primarily due to the new ½ cent local option sales tax that was implemented during fiscal year 2017 within Santa Rosa County. The proceeds from this tax are restricted for capital improvements.
- **Public safety expenses** increased approximately \$343 thousand resulting from increased payroll and pension related costs.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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



**CHART 2
REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES**

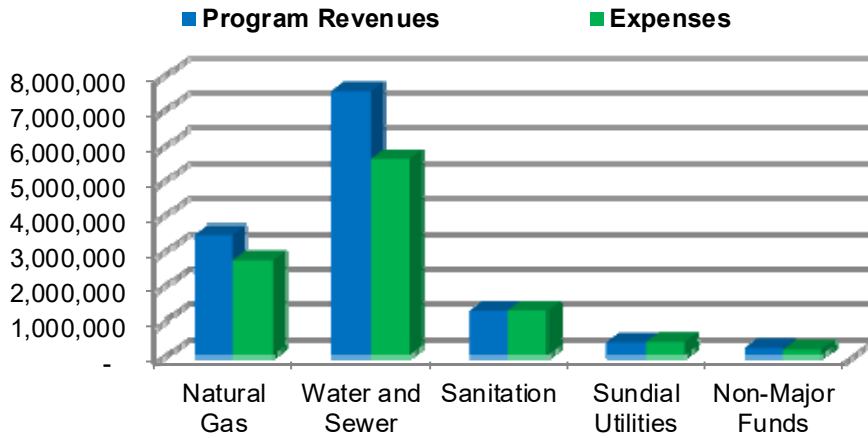


**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

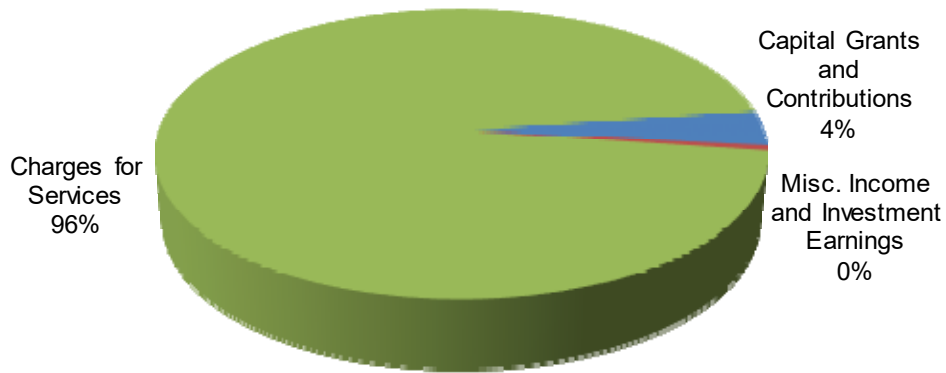
Current Year Impacts – Business-Type Activities

- Charges for services decreased by \$334 thousand predominantly due to the decrease in price of natural gas throughout the past year. The consumption of gas has remained relatively consistent, but the revenue decreased due to the correlation to the price changes.
- Expenses in the business-type funds increased by approximately \$693 thousand due to increases in payroll and payroll related costs, as well as increases in shared personnel and technology costs with the governmental funds.

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



**CHART 4
REVENUES BY SOURCE
*Business-Type Activities***



**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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 \$4.7 million, an increase of \$555 thousand from the prior year. \$3.4 million constitutes unassigned fund balance, which is available for spending at the City Council's discretion. The remaining fund balance is restricted or assigned for various purposes and commitments.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents approximately six months of the General Fund operating expenditures.

During the current fiscal year, the fund balance of the City's General Fund increased by \$118 thousand. The key factor in the increase in fund balance is due to the previously mentioned fire special assessment levied in the current year.

Proprietary Funds

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

Unrestricted net position of the proprietary funds totaled \$7.2 million at the end of the year. Proprietary funds net position decreased by \$189 thousand. 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 \$248 thousand, budgeted revenues were increased by \$95 thousand, and budgeted net transfers decreased by \$111 thousand, as presented in the final amended budget.

Actual results, when compared to the final budget, show a variance of \$322 thousand. The key factors in this variance are the result of implementing city-wide cost saving measures.

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

CAPITAL ASSETS AND OUTSTANDING DEBT

Capital Assets

The City's investments in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$33.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage system improvements, machinery and equipment, park facilities, roads and highways, etc. The overall decrease in the City's capital assets is essentially attributable to current year depreciation offset by current year acquisitions.

**Table 3
CITY OF MILTON, FLORIDA
CAPITAL ASSETS
(Net of Depreciation)
AS OF SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,809,941	\$ 2,809,941	\$ 1,073,027	\$ 1,073,027	\$ 3,882,968	\$ 3,882,968
Construction in progress	818,742	60,023	2,226,026	1,838,992	3,044,768	1,899,015
Buildings	2,090,443	2,389,073	26,967	38,167	2,117,410	2,427,240
Improvements other than buildings	3,323,667	4,253,627	18,318,530	20,612,661	21,642,197	24,866,288
Machinery and equipment	1,156,213	927,388	1,243,449	1,067,740	2,399,662	1,995,128
Total	\$ 10,199,006	\$ 10,440,052	\$ 22,887,999	\$ 24,630,587	\$ 33,087,005	\$ 35,070,639

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

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Outstanding Debt

At the end of the current fiscal year, the City had total debt outstanding of \$7.5 million. All of the City's debt represents loans secured solely by specified revenue sources (i.e., utility and tax revenues). The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt.

**Table 4
CITY OF MILTON, FLORIDA
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2017 AND 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue notes payable	\$ 332,178	\$ 544,168	\$ 2,474,558	\$ 3,169,985	\$ 2,806,736	\$ 3,714,153
Capital leases	239,342	87,151	-	-	239,342	87,151
State revolving loan	-	-	3,866,157	4,106,289	3,866,157	4,106,289
Compensated absences	406,665	439,985	153,342	162,313	560,007	602,298
Total	\$ 978,185	\$ 1,071,304	\$ 6,494,057	\$ 7,438,587	\$ 7,472,242	\$ 8,509,891

The City's total debt decreased \$1.1 million during the fiscal year, which is primarily attributable to scheduled payments.

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 and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise and occupational license) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal Governments, which provide funding for specific programs, projects or activities. For the business-type activities and certain governmental activities (permitting and recreational programs) the user pays a related fee or charge associated with the service.

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

**CITY OF MILTON, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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

This strong relationship with the commanders gives the Governor and the state early warning of support issues they contend with on a regular basis. Regional economic indicators were also considered in preparing the 2018 fiscal year budget for the City:

- The local unemployment rate decreased from 4.6% to 2.7% during the year ended September 30, 2017. The State of Florida's unemployment rate was 3.6%. The unemployment rate will impact the City's fee and usage based revenues, and shared portions of the State of Florida's usage based taxes.
- Property tax revenues are anticipated to increase slightly year-over-year by most regional municipalities. For the 2017 fiscal year, the City increased budgeted property tax revenues by approximately 3% from the prior year budget.

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.

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BASIC FINANCIAL STATEMENTS

**CITY OF MILTON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,709,371	\$ 6,902,453	\$ 10,611,824
Receivables, net	237,188	1,258,068	1,495,256
Due from other governments	594,725	-	594,725
Interfund balances	(200,000)	200,000	-
Inventory	149,850	162,165	312,015
Restricted assets			
Cash and cash equivalents	768,365	4,434,022	5,202,387
Capital assets			
Non-depreciable	3,628,683	3,299,053	6,927,736
Depreciable, net	6,570,323	19,588,946	26,159,269
TOTAL ASSETS	15,458,505	35,844,707	51,303,212
DEFERRED OUTFLOWS OF RESOURCES	2,250,163	353,990	2,604,153
LIABILITIES			
Accounts payable	257,493	296,538	554,031
Accrued liabilities	71,158	40,545	111,703
Compensated absences	375,082	140,780	515,862
Revenue notes payable	332,178	136,723	468,901
State revolving loan payable	-	245,925	245,925
Capital lease payable	47,491	-	47,491
Payable from restricted assets			
Customer deposits	-	649,694	649,694
Non-current liabilities			
Compensated absences	31,583	12,562	44,145
Revenue notes payable	-	2,337,835	2,337,835
State revolving loan payable	-	3,620,232	3,620,232
Capital lease payable	191,851	-	191,851
Net pension liability	5,717,524	689,277	6,406,801
TOTAL LIABILITIES	7,024,360	8,170,111	15,194,471
DEFERRED INFLOWS OF RESOURCES	268,805	21,941	290,746
NET POSITION			
Net investment in capital assets	9,627,486	16,547,284	26,174,770
Restricted			
Debt service	-	477,355	477,355
Public safety	9,096	-	9,096
Community redevelopment	133,750	-	133,750
Capital projects	718,188	3,759,587	4,477,775
Unrestricted (deficit)	(73,017)	7,222,419	7,149,402
TOTAL NET POSITION	\$ 10,415,503	\$ 28,006,645	\$ 38,422,148

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Function/program activities	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 2,280,018	\$ 999,248	\$ -	\$ 29,515	\$ (1,251,255)	\$ -	\$ (1,251,255)
Public safety	4,158,060	420,595	-	1,903	(3,735,562)	-	(3,735,562)
Transportation	1,027,156	-	-	-	(1,027,156)	-	(1,027,156)
Economic environment	79,759	49,011	-	574,192	543,444	-	543,444
Culture and recreation	1,547,521	139,981	-	176,448	(1,231,092)	-	(1,231,092)
Debt service interest	19,573	-	-	-	(19,573)	-	(19,573)
Total governmental activities	9,112,087	1,608,835	-	782,058	(6,721,194)	-	(6,721,194)
Business-type activities							
Natural gas	2,721,547	3,455,408	-	-	-	733,861	733,861
Water and sewer	5,613,357	7,024,403	-	495,228	-	1,906,274	1,906,274
Sanitation	1,266,209	1,254,253	-	-	-	(11,956)	(11,956)
Sundial utilities	405,047	389,072	-	-	-	(15,975)	(15,975)
Non-major proprietary funds	184,471	230,435	-	-	-	45,964	45,964
Total business-type activities	10,190,631	12,353,571	-	495,228	-	2,658,168	2,658,168
Total primary government	\$ 19,302,718	\$ 13,962,406	\$ -	\$ 1,277,286	(6,721,194)	2,658,168	(4,063,026)
General revenues							
Taxes							
Property taxes					\$ 1,013,516	\$ -	\$ 1,013,516
Sales taxes					617,569	-	617,569
Utility service taxes					1,100,246	-	1,100,246
Municipal revenue sharing					1,248,833	34,000	1,282,833
Gain on sale of assets					11,039	-	11,039
Investment earnings					4,815	5,744	10,559
Miscellaneous					128,433	33,028	161,461
Transfers					2,919,558	(2,919,558)	-
Total general revenues and transfers					7,044,009	(2,846,786)	4,197,223
CHANGE IN NET POSITION					322,815	(188,618)	134,197
NET POSITION, BEGINNING, RESTATED					10,092,688	28,195,263	38,287,951
NET POSITION, ENDING					\$ 10,415,503	\$ 28,006,645	\$ 38,422,148

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2017**

	<u>Major Fund</u>	<u>Major Fund</u>		
	<u>General</u>	<u>Community</u>	<u>Non-Major</u>	<u>Total</u>
	<u>Fund</u>	<u>Redevelopment</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Agency</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,373,376	\$ -	\$ 335,995	\$ 3,709,371
Receivables	236,688	-	500	237,188
Due from other governments	147,887	-	446,838	594,725
Inventory	149,850	-	-	149,850
Restricted assets				
Cash and cash equivalents	129,980	139,967	498,418	768,365
TOTAL ASSETS	\$ 4,037,781	\$ 139,967	\$ 1,281,751	\$ 5,459,499
LIABILITIES				
Accounts payable	\$ 102,824	6,217	\$ 148,452	\$ 257,493
Due to other funds	-	-	200,000	200,000
Accrued liabilities	71,158	-	-	71,158
Total liabilities	173,982	6,217	348,452	528,651
DEFERRED INFLOWS OF RESOURCES	217,860	-	-	217,860
FUND BALANCE				
Nonspendable				
Inventory	149,850	-	-	149,850
Restricted				
Capital projects	129,980	-	588,208	718,188
Public safety	-	-	9,096	9,096
Community redevelopment	-	133,750	-	133,750
Assigned	-	-	335,995	335,995
Unassigned	3,366,109	-	-	3,366,109
Total fund balances	3,645,939	133,750	933,299	4,712,988
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,037,781	\$ 139,967	\$ 1,281,751	\$ 5,459,499

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, 2017**

Fund balance, total governmental funds		\$ 4,712,988
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental non-depreciable assets	3,628,683	
Governmental depreciable assets	23,592,837	
Less accumulated depreciation	<u>(17,022,514)</u>	
		10,199,006

Deferred inflows of resources and deferred outflows of resources related to pensions 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 – pension related	2,250,163	
Deferred inflows of resources – pension related	<u>(130,650)</u>	
		2,119,513

Unavailable revenues for special assessments in governmental funds are susceptible to full accrual on the entity-wide statements.

79,705

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

Revenue notes payable	(332,178)	
Capital leases	(239,342)	
Compensated absences	(406,665)	
Net pension liability	<u>(5,717,524)</u>	
		<u>(6,695,709)</u>

Net position of governmental activities

\$ 10,415,503

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, 2017**

	<u>Major Fund</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Other Governmental Funds</u>	
REVENUES				
Taxes	\$ 2,509,235	\$ -	\$ 193,166	\$ 2,702,401
Licenses, fees, permits, and assessments	906,223	-	-	906,223
Intergovernmental	1,042,138	68,820	1,082,072	2,193,030
Charges for services	103,044	49,011	178,123	330,178
Fines and forfeits	27,454	-	-	27,454
Miscellaneous	275,358	399	1,696	277,453
Total revenues	<u>4,863,452</u>	<u>118,230</u>	<u>1,455,057</u>	<u>6,436,739</u>
EXPENDITURES				
Current				
General governmental	1,358,656	-	-	1,358,656
Public safety	3,552,146	-	177,785	3,729,931
Economic environment	-	80,509	-	80,509
Transportation	988,614	-	-	988,614
Culture and recreation	1,147,185	-	-	1,147,185
Capital outlay				
General governmental	456,556	-	940,030	1,396,586
Economic environment	-	20,040	-	20,040
Debt Service				
Principal	-	-	299,141	299,141
Interest	-	-	19,573	19,573
Total expenditures	<u>7,503,157</u>	<u>100,549</u>	<u>1,436,529</u>	<u>9,040,235</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,639,705)</u>	<u>17,681</u>	<u>18,528</u>	<u>(2,603,496)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	239,342	-	-	239,342
Transfers in	3,011,374	116,069	352,964	3,480,407
Transfers out	(492,780)	-	(68,069)	(560,849)
Total other financing sources	<u>2,757,936</u>	<u>116,069</u>	<u>284,895</u>	<u>3,158,900</u>
NET CHANGE IN FUND BALANCE	118,231	133,750	303,423	555,404
FUND BALANCE, BEGINNING	<u>3,527,708</u>	<u>-</u>	<u>629,876</u>	<u>4,157,584</u>
FUND BALANCE, ENDING	<u>\$ 3,645,939</u>	<u>\$ 133,750</u>	<u>\$ 933,299</u>	<u>\$ 4,712,988</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balance – governmental funds		\$ 555,404
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	1,416,626	
Less current year depreciation	<u>(1,657,672)</u>	(241,046)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Proceeds from capital lease	(239,342)	
Principal payments	<u>299,141</u>	59,799
<p>Special assessment revenue in the governmental funds is recognized when available however, the revenue was recognized in the statement of activities when it was earned (when levied) under full accrual accounting.</p>		
		79,705
<p>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:</p>		
Change in net pension liability and related deferred inflows and outflows of resources related to pensions	(164,367)	
Change in long-term compensated absences	<u>33,320</u>	(131,047)
Change in net position of governmental activities		<u><u>\$ 322,815</u></u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,458,232	\$ 2,458,232	\$ 2,509,235	\$ 51,003
Licenses, fees, permits, & assessments	942,231	942,231	906,223	(36,008)
Intergovernmental	951,882	981,403	1,042,138	60,735
Charges for services	159,914	189,435	103,044	(86,391)
Fines and forfeits	26,950	26,950	27,454	504
Miscellaneous	231,766	267,599	275,358	7,759
Total revenues	<u>4,770,975</u>	<u>4,865,850</u>	<u>4,863,452</u>	<u>(2,398)</u>
EXPENDITURES				
Current				
General governmental	1,521,026	1,602,430	1,358,656	243,774
Public safety	3,797,681	3,715,162	3,552,146	163,016
Transportation	1,035,663	1,051,887	988,614	63,273
Culture and recreation	1,225,689	1,221,018	1,147,185	73,833
Capital outlay				
General governmental	-	237,412	456,556	(219,144)
Total expenditures	<u>7,580,059</u>	<u>7,827,909</u>	<u>7,503,157</u>	<u>324,752</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	<u>(2,809,084)</u>	<u>(2,962,059)</u>	<u>(2,639,705)</u>	<u>322,354</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	239,342	239,342
Transfers in	3,202,504	3,215,509	3,011,374	(204,135)
Transfers out	(393,420)	(517,487)	(492,780)	24,707
Total other financing sources	<u>2,809,084</u>	<u>2,698,022</u>	<u>2,757,936</u>	<u>59,914</u>
NET CHANGE IN FUND BALANCE	-	(264,037)	118,231	382,268
FUND BALANCE, BEGINNING	-	264,037	3,527,708	3,263,671
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,645,939</u>	<u>\$ 3,645,939</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 68,820	\$ 68,820	\$ 68,820	\$ -
Charges for services	25,200	30,450	49,011	18,561
Miscellaneous	-	-	399	399
Total revenues	<u>94,020</u>	<u>99,270</u>	<u>118,230</u>	<u>18,960</u>
EXPENDITURES				
Current				
Economic environment	129,020	137,340	80,509	56,831
Capital outlay				
Economic environment	<u>35,000</u>	<u>78,000</u>	<u>20,040</u>	<u>57,960</u>
Total expenditures	<u>164,020</u>	<u>215,340</u>	<u>100,549</u>	<u>114,791</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(70,000)</u>	<u>(116,070)</u>	<u>17,681</u>	<u>133,751</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	116,070	116,069	(1)
Total other financing sources	<u>-</u>	<u>116,070</u>	<u>116,069</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	(70,000)	-	133,750	133,750
FUND BALANCE, BEGINNING	70,000	-	-	-
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,750</u>	<u>\$ 133,750</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
ASSETS						
Current assets						
Cash and cash equivalents						
	\$ 1,702,872	\$ 4,530,250	\$ 203,513	\$ 101,607	\$ 364,211	\$ 6,902,453
	257,372	813,004	111,936	34,638	41,118	1,258,068
	162,165	-	-	-	-	162,165
	-	200,000	-	-	-	200,000
Restricted assets						
Cash and cash equivalents						
	197,080	3,759,587	-	477,355	-	4,434,022
	<u>2,319,489</u>	<u>9,302,841</u>	<u>315,449</u>	<u>613,600</u>	<u>405,329</u>	<u>12,956,708</u>
Capital assets						
Non-depreciable						
	103,271	1,873,510	-	450,000	872,272	3,299,053
Depreciable, net						
	453,025	17,221,435	342,503	1,426,327	145,656	19,588,946
	<u>556,296</u>	<u>19,094,945</u>	<u>342,503</u>	<u>1,876,327</u>	<u>1,017,928</u>	<u>22,887,999</u>
TOTAL ASSETS	<u>2,875,785</u>	<u>28,397,786</u>	<u>657,952</u>	<u>2,489,927</u>	<u>1,423,257</u>	<u>35,844,707</u>
DEFERRED OUTFLOWS OF RESOURCES						
	78,614	236,124	39,252	-	-	353,990

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2017**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water & Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 174,333	\$ 49,711	\$ 34,587	\$ 2,419	\$ 35,488	\$ 296,538
Accrued liabilities						
Compensated absences	44,437	74,245	22,098	-	-	140,780
Wages	8,300	25,664	6,581	-	-	40,545
Revenue notes payable	-	-	-	136,723	-	136,723
State revolving loans payable	-	245,925	-	-	-	245,925
Payable from restricted assets						
Customer deposits	197,080	412,566	-	40,048	-	649,694
Total current liabilities	424,150	808,111	63,266	179,190	35,488	1,510,205
Non-current liabilities						
Compensated absences	3,309	9,008	245	-	-	12,562
Revenue notes payable	-	-	-	2,337,835	-	2,337,835
State revolving loans payable	-	3,620,232	-	-	-	3,620,232
Net pension liability	153,075	459,771	76,431	-	-	689,277
Total non-current liabilities	156,384	4,089,011	76,676	2,337,835	-	6,659,906
TOTAL LIABILITIES	580,534	4,897,122	139,942	2,517,025	35,488	8,170,111
DEFERRED INFLOWS OF RESOURCES						
	4,873	14,637	2,431	-	-	21,941
NET POSITION						
Net investment in capital assets						
	556,296	15,228,788	342,503	(598,231)	1,017,928	16,547,284
Restricted						
Debt service	-	-	-	477,355	-	477,355
Capital projects	-	3,759,587	-	-	-	3,759,587
Unrestricted	1,812,696	4,733,776	212,328	93,778	369,841	7,222,419
TOTAL NET POSITION	\$ 2,368,992	\$ 23,722,151	\$ 554,831	\$ (27,098)	\$ 1,387,769	\$ 28,006,645

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, 2017**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
OPERATING REVENUES						
Charges for services	\$ 3,455,408	\$ 7,024,403	\$ 1,254,253	\$ 389,072	\$ 230,435	\$ 12,353,571
OPERATING EXPENSES						
Personal services	935,551	1,912,484	531,781	20,000	-	3,399,816
Operating	1,663,406	1,557,166	655,741	81,914	150,530	4,108,757
Depreciation	121,598	2,027,875	78,687	260,265	33,941	2,522,366
Total operating expenses	2,720,555	5,497,525	1,266,209	362,179	184,471	10,030,939
OPERATING INCOME	734,853	1,526,878	(11,956)	26,893	45,964	2,322,632
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	-	-	-	-	34,000	34,000
Interest expense	(992)	(115,832)	-	(42,868)	-	(159,692)
Interest income	1,308	4,311	-	20	107	5,746
Miscellaneous	5,214	7,905	655	-	19,250	33,024
Total non-operating revenues (expenses)	5,530	(103,616)	655	(42,848)	53,357	(86,922)
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	740,383	1,423,262	(11,301)	(15,955)	99,321	2,235,710
Capital contributions	-	495,228	-	-	-	495,228
Transfers in	53,915	6,652	2,563	177	79,329	142,636
Transfers out	(837,466)	(2,223,453)	(1,275)	-	-	(3,062,194)
Total transfers and capital contributions	(783,551)	(1,721,573)	1,288	177	79,329	(2,424,330)
CHANGE IN NET POSITION	(43,168)	(298,311)	(10,013)	(15,778)	178,650	(188,620)
NET POSITION AT BEGINNING OF YEAR, RESTATED	2,412,160	24,020,462	564,844	(11,320)	1,209,119	28,195,265
NET POSITION AT END OF YEAR	\$ 2,368,992	\$ 23,722,151	\$ 554,831	\$ (27,098)	\$ 1,387,769	\$ 28,006,645

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/users	\$ 3,429,676	\$ 6,972,629	\$ 1,244,363	\$ 386,169	\$ 228,777	\$ 12,261,614
Payments to suppliers	(1,639,587)	(1,554,464)	(624,697)	(81,789)	(130,894)	(4,031,431)
Payments to employees	(927,527)	(1,896,852)	(524,230)	(20,000)	-	(3,368,609)
Miscellaneous income	5,214	7,905	655	-	19,250	33,024
Net cash provided by operating activities	<u>867,776</u>	<u>3,529,218</u>	<u>96,091</u>	<u>284,380</u>	<u>117,133</u>	<u>4,894,598</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Due from other funds	-	(200,000)	-	-	-	(200,000)
Transfers in	53,915	6,652	2,563	177	79,329	142,636
Transfers out	(837,466)	(2,223,453)	(1,275)	-	-	(3,062,194)
Net cash provided by (used in) non-capital financing activities	<u>(783,551)</u>	<u>(2,416,801)</u>	<u>1,288</u>	<u>177</u>	<u>79,329</u>	<u>(3,119,558)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisitions of capital assets	(14,216)	(296,931)	(119,869)	-	(348,763)	(779,779)
Capital contributions	-	495,228	-	-	-	495,228
Intergovernmental revenues	-	-	-	-	34,000	34,000
Principal paid on long-term debt	(61,697)	(739,318)	-	(134,541)	-	(935,556)
Interest paid on long-term debt	(992)	(115,832)	-	(42,868)	-	(159,692)
Net cash used in capital and related financing activities	<u>(76,905)</u>	<u>(656,853)</u>	<u>(119,869)</u>	<u>(177,409)</u>	<u>(314,763)</u>	<u>(1,345,799)</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Major Funds</u>				<u>Non-Major Proprietary Funds</u>	<u>Total</u>
	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Sundial Utilities Fund</u>		
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	\$ 1,308	\$ 4,311	\$ -	\$ 20	\$ 107	\$ 5,746
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,628	459,875	(22,490)	107,168	(118,194)	434,987
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,891,324</u>	<u>7,829,962</u>	<u>226,003</u>	<u>471,794</u>	<u>482,405</u>	<u>10,901,488</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,899,952</u>	<u>\$ 8,289,837</u>	<u>\$ 203,513</u>	<u>\$ 578,962</u>	<u>\$ 364,211</u>	<u>\$ 11,336,475</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF						
Current assets	\$ 1,702,872	\$ 4,530,250	\$ 203,513	\$ 101,607	\$ 364,211	\$ 6,902,453
Restricted assets	<u>197,080</u>	<u>3,759,587</u>	<u>-</u>	<u>477,355</u>	<u>-</u>	<u>4,434,022</u>
Total cash and cash equivalents	<u>\$ 1,899,952</u>	<u>\$ 8,289,837</u>	<u>\$ 203,513</u>	<u>\$ 578,962</u>	<u>\$ 364,211</u>	<u>\$ 11,336,475</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Major Funds</u>				<u>Non-Major Proprietary Funds</u>	<u>Total</u>
	<u>Natural Gas Fund</u>	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Sundial Utilities Fund</u>		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ 734,853	\$ 1,526,878	\$ (11,956)	\$ 26,893	\$ 45,964	\$ 2,322,632
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	121,598	2,027,875	78,687	260,265	33,941	2,522,366
Miscellaneous revenue	5,214	7,905	655	-	19,250	33,024
Decrease (increase) in assets:						
Accounts receivable	(30,702)	(77,715)	(9,890)	(4,312)	(1,658)	(124,277)
Inventory	6,195	-	-	-	-	6,195
Increase in deferred outflows of resources	(2,670)	(8,021)	(1,333)	-	-	(12,024)
Increase (decrease) in liabilities:						
Accounts payable	17,624	2,702	31,044	125	19,636	71,131
Compensated absences payable	(531)	(10,508)	2,068	-	-	(8,971)
Wages	2,420	7,713	2,420	-	-	12,553
Customer deposits	4,970	25,941	-	1,409	-	32,320
Net pension liability	12,876	38,675	(2,033)	-	-	49,518
Increase in deferred inflows of resources	(4,071)	(12,227)	6,429	-	-	(9,869)
Net cash provided by operating activities	<u>\$ 867,776</u>	<u>\$ 3,529,218</u>	<u>\$ 96,091</u>	<u>\$ 284,380</u>	<u>\$ 117,133</u>	<u>\$ 4,894,598</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
	<u> </u>	<u> </u>
ASSETS		
Investments, at market	\$ 25,970,641	\$ 2,481,510
TOTAL ASSETS	<u>\$ 25,970,641</u>	<u>\$ 2,481,510</u>
NET POSITION		
Held in trust for pension and OPEB	<u>\$ 25,970,641</u>	<u>\$ 2,481,510</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ADDITIONS		
Contributions		
Employer	\$ 905,944	\$ 201,812
Plan members	346,814	-
State of Florida	168,216	-
Total contributions	<u>1,420,974</u>	<u>201,812</u>
Investment income	2,840,624	233,075
Less investment expense	<u>(314,635)</u>	<u>-</u>
Net investment income	<u>2,525,989</u>	<u>233,075</u>
TOTAL ADDITIONS	<u>3,946,963</u>	<u>434,887</u>
DEDUCTIONS		
Benefits and refunds paid		
Retirement payments	1,639,675	14,620
Insurance premiums	<u>-</u>	<u>434</u>
Total benefits and refunds paid	1,639,675	15,054
Administrative expenses – other	<u>2,055</u>	<u>32,389</u>
TOTAL DEDUCTIONS	<u>1,641,730</u>	<u>47,443</u>
NET CHANGE IN NET POSITION	2,305,233	387,444
NET POSITION, BEGINNING	<u>23,665,408</u>	<u>2,094,066</u>
NET POSITION, ENDING	<u><u>\$ 25,970,641</u></u>	<u><u>\$ 2,481,510</u></u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 in the United States, these financial statements present the City's primary government. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB Statement No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Statement No. 61, 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 of Milton, Florida through a City ordinance. The Mayor, City Manager, and one City Council member sit on the Advisory Board. In addition, City employees manage the Agency's assets. The Agency is reported in the financial statements of the primary government as a "blended component unit" as defined by GASB Statement No. 61. Separate financial statements of the Agency are not prepared.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

The Reporting Entity – Continued

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

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due as there is a statutory requirement to make the contribution. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Measurement Focus and Basis of Accounting – Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The following is the current property tax calendar:

Lien Date	January 1, 2017
Levy Date	November 1, 2017
Due Date	November 1, 2017
Delinquent Date	April 1, 2018

Discounts of 1% for each month taxes are paid prior to March 2017 are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2017 ad-valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Basis of Presentation

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

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

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

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

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

Governmental

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

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

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Basis of Presentation – Continued

Proprietary

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

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

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

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

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

Fiduciary

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

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

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

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

Cash and Cash Equivalents

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Deposits and Investments

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

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

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

Receivables and Payables

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

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

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Inventories

Inventories held by the General Fund is valued at cost, based on first in, first out method. The General Fund inventory balance has been included as non-spendable in the fund financial statements to indicate that it is not available for appropriation.

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

Restricted Assets

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

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

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

Capital Assets

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Capital Assets – Continued

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

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Annual Leave

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

Sick Leave

Firefighters accrue 15 hours per month of sick leave and all other employees accrue sick leave at the rate of 10 hours per month.

Compensatory Time

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

Termination Policy

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize debt premiums and discounts as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

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, 2017, the City has deferred outflows of resources related to pensions as further described in Note 6.

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, 2017, the City has fiscal year 2018 business taxes received by the City in advance that qualifies for reporting in this category as well as deferred inflows of resources related to pensions as further described in Note 6.

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.

Governmental Fund Balances

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

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

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

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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

Governmental Fund Balances – Continued

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.

Subsequent Events

Subsequent events were evaluated through March 15, 2018, which is the date the financial statements were available to be issued.

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 on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multi-year capital projects.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

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.

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, 2017, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial risk.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Fiduciary Funds

As of September 30, 2017, the City's investments consist of those held in the Fiduciary funds. The types of investments which can be made by the City are restricted by state statutes, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in the following paragraphs.

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

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

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

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

As of September 30, 2017, the City had the following investments and maturities:

	Fair Value	INVESTMENT MATURITIES (YEARS)							
		<1	1-5	6-10	11-15	16-20	21-25	26-30	>30
Investments subject to interest rate risk									
Certificates of deposit	\$ 301,194	\$ 155,115	\$ 146,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	5,108,857	336,902	2,888,177	1,140,329	20,200	45,427	169,838	507,986	-
U.S. Government Obligations	1,380,940	23,943	813,602	163,421	-	149,322	73,363	82,375	74,913
Municipal obligations	344,532	-	83,211	-	60,612	121,780	58,842	20,087	-
Mortgage backed securities	520,719	-	1,067	95,771	260,720	3,764	143,525	15,872	-
Collateralized mortgage obligations	536,905	104	3,942	49,249	3,271	3,634	159,364	317,341	-
	<u>\$ 8,193,147</u>	<u>\$ 516,064</u>	<u>\$ 3,936,078</u>	<u>\$ 1,448,770</u>	<u>\$ 344,803</u>	<u>\$ 323,926</u>	<u>\$ 604,932</u>	<u>\$ 943,661</u>	<u>\$ 74,913</u>
Investments not subject to interest rate risk									
	<u>20,259,004</u>								
Total	<u>\$ 28,452,151</u>								

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Fiduciary Funds – Continued

Credit Rate Risk – The structure of the pension portfolios is designed to minimize credit risk. The Plans limit investments in bonds to those for which the issuer has a Standard and Poor’s rating of AAA-BBB or Moody’s rating of Aaa-Baa. All pension funds were in compliance with the restrictive investment policies regarding credit rate risk as of September 30, 2017.

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

Fair Value of Investments

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

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

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short- term investments	\$ 4,005,889	\$ 2,513,160	\$ 1,492,729	\$ -
Certificates of deposit	301,194	-	301,194	-
Corporate bonds	5,108,857	-	5,108,857	-
U.S. Government Obligations	1,380,940	-	1,380,940	-
Municipal obligations	344,532	-	344,532	-
Mortgage backed securities	520,719	-	520,719	-
Collateralized mortgage obligations	536,905	-	536,905	-
Common stock	16,250,427	16,250,427	-	-
Mutual funds	2,689	2,689	-	-
Total investments	<u>\$ 28,452,151</u>	<u>\$ 18,766,276</u>	<u>\$ 9,685,875</u>	<u>\$ -</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

4. RECEIVABLES

Receivables at September 30, 2017, were as follows:

	Governmental Activities		Business-Type Activities					Total
	General	Non-Major	Natural Gas	Water and Sewer	Sanitation	Sundial Utilities	Non-Major	
Utility taxes and franchise fees	\$ 225,955	\$ -	\$ 2,554	\$ -	\$ -	\$ -	\$ -	\$ 228,509
Accounts, less allowance for doubtful accounts	10,733	-	254,755	813,004	111,936	34,638	41,118	1,266,184
Other	-	500	63	-	-	-	-	563
	<u>\$ 236,688</u>	<u>\$ 500</u>	<u>\$ 257,372</u>	<u>\$ 813,004</u>	<u>\$ 111,936</u>	<u>\$ 34,638</u>	<u>\$ 41,118</u>	<u>\$ 1,495,256</u>

As of September 30, 2017, the City has estimated \$66,000 as an allowance for uncollectible accounts related to business-type activities.

Due from Other Governments

The City's receivables from other governments for governmental activities as of September 30, 2017, are \$594,725. The receivables consist primarily of amounts due from the State of Florida relating to intergovernmental revenues and various government agencies for grant reimbursements.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 2,809,941	\$ -	\$ -	\$ 2,809,941
Construction in progress	60,023	758,719	-	818,742
Total capital assets not being depreciated	<u>2,869,964</u>	<u>758,719</u>	<u>-</u>	<u>3,628,683</u>
Capital assets being depreciated:				
Buildings	9,420,627	182,962	-	9,603,589
Improvements other than buildings	8,361,899	-	-	8,361,899
Machinery and equipment	5,185,385	474,945	(32,981)	5,627,349
Total capital assets being depreciated	<u>22,967,911</u>	<u>657,907</u>	<u>(32,981)</u>	<u>23,592,837</u>
Less accumulated depreciation:				
Buildings	(7,031,554)	(481,592)	-	(7,513,146)
Improvements other than buildings	(4,108,272)	(929,960)	-	(5,038,232)
Machinery and equipment	(4,257,997)	(246,120)	32,981	(4,471,136)
Total accumulated depreciation	<u>(15,397,823)</u>	<u>(1,657,672)</u>	<u>32,981</u>	<u>(17,022,514)</u>
Total capital assets being depreciated, net	<u>7,570,088</u>	<u>(999,765)</u>	<u>-</u>	<u>6,570,323</u>
Governmental activities, net	<u>\$ 10,440,052</u>	<u>\$ (241,046)</u>	<u>\$ -</u>	<u>\$ 10,199,006</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,073,027	\$ -	\$ -	\$ 1,073,027
Construction in progress	1,838,992	387,034	-	2,226,026
Total capital assets not being depreciated	<u>2,912,019</u>	<u>387,034</u>	<u>-</u>	<u>3,299,053</u>
Capital assets being depreciated:				
Buildings	86,000	-	-	86,000
Improvements other than buildings	50,342,810	124,579	-	50,467,389
Machinery and equipment	3,137,338	268,165	-	3,405,503
Total capital assets being depreciated	<u>53,566,148</u>	<u>392,744</u>	<u>-</u>	<u>53,958,892</u>
Less accumulated depreciation:				
Buildings	(47,833)	(11,200)	-	(59,033)
Improvements other than buildings	(29,730,149)	(2,418,710)	-	(32,148,859)
Machinery and equipment	(2,069,598)	(92,456)	-	(2,162,054)
Total accumulated depreciation	<u>(31,847,580)</u>	<u>(2,522,366)</u>	<u>-</u>	<u>(34,369,946)</u>
Total capital assets being depreciated, net	<u>21,718,568</u>	<u>(2,129,622)</u>	<u>-</u>	<u>19,588,946</u>
Business-type activities, net	<u>\$ 24,630,587</u>	<u>\$ (1,742,588)</u>	<u>\$ -</u>	<u>\$ 22,887,999</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

5. CAPITAL ASSETS – CONTINUED

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

Governmental activities

General government	\$ 931,064
Public safety	311,471
Transportation	387,143
Culture and recreation	27,994
	<u>27,994</u>
Total depreciation expense – governmental activities	<u><u>\$ 1,657,672</u></u>

Business-type activities

Natural gas	\$ 121,598
Water and sewer	2,027,875
Sanitation	78,687
Sundial utilities	260,265
Non-major	33,941
	<u>33,941</u>
Total depreciation expense – business-type activities	<u><u>\$ 2,522,366</u></u>

Construction Commitments

The City has active construction projects as of September 30, 2017:

	Spent to Date	Remaining Commitment
Projects		
Governmental Activities:		
Canal Street	\$ 379,880	\$ 370,120
Fire Training Facility	15,550	53,000
Carpenters Park	35,553	14,447
Lucille Johnson Park	41,962	8,038
Roadside beautification	120,812	351,188
Riverwalk park improvements	-	247,948
Other projects	224,985	Varies
Business-Type Activities:		
East Milton Wastewater Treatment Plant Engineering	1,852,890	562,500
Other projects	373,136	Varies
	<u>373,136</u>	<u>Varies</u>
Total	<u><u>\$ 3,044,768</u></u>	<u><u>\$ 1,607,241</u></u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS

The City administers three single-employee 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 combined financial statements. Detailed information about each of the pension Plan's fiduciary net position is available in a separately issued Plan actuarial report. A separate audited financial report for each of the Plans is not available. Each plan's assets may be used only for the payment of benefits to members of that plan. A summary of significant accounting policies of the Pension Trust Funds can be found at Note 1.

General Employees' Retirement Plan (GERP)

Plan Description

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

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	44
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	<u>61</u>
Total	<u><u>110</u></u>

Benefits Provided

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

The plan offers a Deferred Retirement Option Program whereby once normal retirements are met, an individual can participate for a period not to exceed 60 months. The DROP balance as of September 30, 2016 is \$713,272.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees' Retirement Plan (GERP) – Continued

Funding Policy and Contributions

Both the City and the employees (at a rate of 10.0% of payroll) make contributions to the Plan. For fiscal year 2017, employees contributed \$220,873 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2017 was 19.3% of payroll.

Net Pension Liability of the Sponsor

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability of the Sponsor – Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary Increases	5.50%
Discount Rate	8.00%
Investment Rate of Return	8.00%

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

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows: Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

Since the prior valuation, the mortality assumption was changed to be the same as used for the Florida Retirement System for non-special risk in their July 1, 2015 actuarial valuation report. This change was mandated by State law. The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees’ Retirement Plan (GERP) – Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash or Cash Equivalents	0.50%	0.00%
Domestic Fixed income	32.50%	2.50%
Domestic Equity	47.00%	7.50%
Real Estate	10.00%	7.50%
International Equity	10.00%	8.50%
Total	100%	

Net Pension Liability of the Sponsor – Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees’ Retirement Plan (GERP) – Continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2016	\$ 14,352,382	\$ 12,170,490	\$ 2,181,892
Changes:			
Service cost	318,891	-	318,891
Interest	1,131,940	-	1,131,940
Change in assumptions	444,060	-	444,060
Differences between projected and actual experience	(39,135)	-	(39,135)
Change in assumption			
Contributions – employer	-	538,937	(538,937)
Contributions – employee	-	229,488	(229,488)
Net investment income	-	938,420	(938,420)
Benefit payments, including refunds of employee contributions	(1,044,056)	(1,044,056)	-
Administrative expenses	-	(51,481)	51,481
Net changes	<u>811,700</u>	<u>611,308</u>	<u>200,392</u>
Reporting Period Ending September 30, 2017	<u><u>\$ 15,164,082</u></u>	<u><u>\$ 12,781,798</u></u>	<u><u>\$ 2,382,284</u></u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor’s Net Pension Liability (Asset)	\$ 3,957,287	\$ 2,382,284	\$ 1,051,039

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees’ Retirement Plan (GERP) – Continued

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

For the year ended September 30, 2017, the City recognized pension expense of \$95,481. On September 30, 2017, 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	\$ 410,250	\$ -
Differences between Expected and Actual Experience	-	75,837
Changes in assumptions	370,050	-
Net difference between Projected and Actual Earnings on Pension Plan investments	443,162	-
Total	\$ 1,223,462	\$ 75,837

Deferred outflows of resources related to pensions of \$410,250 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, 2018. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended	
<u>September 30:</u>	
2018	\$ 193,465
2019	193,465
2020	221,850
2021	61,108
2022	67,487
	\$ 737,375

Police Officers’ Retirement Plan (PORP)

Plan Description

The Police Officers’ Retirement Plan (PORP) is administered by a Board of Trustees (Police Board) comprised of: a) two City Council appointees and b) two members of the department elected by the membership, and c) a fifth member elected by the other 4 and appointed by the City Council.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	16
Total	31

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 50 with ten years of credited service (early retirement), at age 55 with ten 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 6 years of credited service. Members will receive the vested portion of his or her accrued benefit payable at the otherwise normal retirement date. The plan provides a retirement benefit for normal retirement of 3.1% of average final compensation times credited service for the first 15 years of credited service and 3.75% average final compensation times credited service for all years of service after 15 years. Normal retirees only receive a \$200 per month supplement from date of retirement to age 65. Benefits for early retirement are accrued benefit, reduced 3% for each year prior to normal retirement. Varied benefits exist for disability and pre-retirement death.

Funding Policy and Contributions

The City, the State of Florida, and employees (at 8.0% of payroll) make contributions to the Plan. For fiscal year 2017/2016, employees contributed \$69,426 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 10.2% of total projected payroll. For fiscal year 2017, the State contributed \$90,756 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2017 was 9.0% of payroll.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

Net Pension Liability of the Sponsor – Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods. For the measurement period September 30, 2016, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan’s investment consultant.

Salary Increases	Service Based
Discount Rate	8.00%
Investment Rate of Return	8.00%

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

Net Pension Liability of the Sponsor – Actuarial Assumptions – Continued

Mortality Rate Healthy Lives:

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

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

Mortality Rate Disabled Lives:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.50%
International Equity	10%	8.50%
Domestic Fixed Income	35%	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 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Reporting period ending September 30, 2016	\$ 6,671,838	\$ 6,888,866	\$ (217,028)
Changes:			
Service cost	179,035	-	179,035
Interest	527,269	-	527,269
Difference between projected and actual experience	75,137	-	75,137
Changes of assumptions	-	-	-
Contributions – employer	-	82,582	(82,582)
Contributions – state	-	89,139	(89,139)
Contributions – employee	-	64,142	(64,142)
Net investment income	-	525,026	(525,026)
Benefit payments, including			
Refunds of employee contributions	(414,900)	(414,900)	-
Administrative expenses	-	(45,128)	45,128
Net changes	366,541	300,861	65,680
Reporting Period Ending September 30, 2017	<u>\$ 7,038,379</u>	<u>\$ 7,189,727</u>	<u>\$ (151,348)</u>

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

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability (Asset)	\$ 622,119	\$ (151,348)	\$ (798,702)

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$16,296. On September 30, 2017, 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	\$ 167,375	\$ -
Differences between Expected and Actual Experience	50,092	61,806
Net difference between Projected and Actual Earnings on Pension Plan investments	279,986	-
Changes of assumptions	-	14,824
Total	\$ 497,453	\$ 76,630

Deferred outflows of resources related to pensions of \$167,375 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, 2018. 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:**

2018	\$ 38,525
2019	115,154
2020	96,346
2021	3,423
	\$ 253,448

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP)

Plan Description

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

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	14
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members	14
Total	29

Benefits Provided

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

Funding Policy and Contributions

The City, the State of Florida, and employees (at 6.5% of payroll) make contributions to the Plan. For fiscal year 2017, employees contributed \$56,515 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 9.6% of total projected payroll. For fiscal year 2017, the State contributed \$77,460 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2017 was 46.3% of payroll.

Net Pension Liability of the Sponsor – Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions applied to all measurement periods.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP) – Continued

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

Mortality Rate Healthy Lives:

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

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

Mortality Rate Disabled Lives:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016, 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	<u>100%</u>	

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP) – Continued

Net Pension Liability of the Sponsor – Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2016	\$ 7,814,371	\$ 3,774,535	\$ 4,039,836
Changes:			
Service cost	120,267	-	120,267
Interest	584,392	-	584,392
Difference between projected and actual earnings	64,117 239,044	-	-
Change in excess state money	-	-	-
Contributions – employer	-	349,105	(349,105)
Contributions – state	-	81,560	(81,560)
Contributions – employee	-	50,925	(50,925)
Net investment income	-	414,969	(414,969)
Benefit payments, including			
Refunds of employee contributions	(787,258)	(787,258)	-
Administrative expenses	-	(24,768)	24,768
Net changes	<u>220,562</u>	<u>84,533</u>	<u>136,029</u>
Reporting Period Ending September 30, 2017	<u>\$ 8,034,933</u>	<u>\$ 3,859,068</u>	<u>\$ 4,175,865</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP) – Continued

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

	<u>1% Decrease 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
Sponsor's Net Pension Liability (Asset)	\$ 5,175,682	\$ 4,175,865	\$ 3,346,313

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the City recognized pension expense of \$80,216. On September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City Contributions Subsequent to the Measurement Date	\$ 465,506	\$ -
Changes of assumptions	179,283	-
Net difference between Projected and Actual Earnings on Pension Plan investments	137,364	-
Differences between Expected and Actual Experience	101,085	-
Total	<u>\$ 883,238</u>	<u>\$ -</u>

Deferred outflows of resources related to pensions of \$465,506 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, 2017.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters' Retirement Plan (FRP) – Continued

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

**Year ended
September 30:**

2018	\$	146,940
2019		146,941
2020		150,900
2021		(27,049)
	<u>\$</u>	<u>417,732</u>

Combined Plan Reporting

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
General Employees' Retirement Plan	\$ 1,223,462	\$ 75,837
Police Officers' Retirement Plan	497,453	76,630
Fire Fighters' Retirement Plan	883,238	-
Total	<u>\$ 2,604,153</u>	<u>\$ 152,467</u>

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
General Employees' Retirement Plan	\$ 15,164,082	\$ 12,781,798	\$ 2,382,284
Police Officers' Retirement Plan	7,038,379	7,189,727	(151,348)
Fire Fighters' Retirement Plan	8,034,933	3,859,068	4,175,865
Balances at September 30, 2017	<u>\$ 30,237,394</u>	<u>\$ 23,830,593</u>	<u>\$ 6,406,801</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements

The following are the financial statements for the individual pension trust funds (GERP, PORP, FRP) for the year ended September 30, 2017.

COMBINING STATEMENT OF PLAN NET POSITION

	<u>Employee Retirement Funds</u>			<u>Total Employee Retirement Plans</u>
	<u>General Employees' Retirement Plan</u>	<u>Police Officers' Retirement Plan</u>	<u>Firefighters' Retirement Plan</u>	
ASSETS				
Investments, at market	\$ 13,756,350	\$ 7,769,144	\$ 4,445,147	\$ 25,970,641
TOTAL ASSETS	<u>\$ 13,756,350</u>	<u>\$ 7,769,144</u>	<u>\$ 4,445,147</u>	<u>\$ 25,970,641</u>
FIDUCIARY NET POSITION	<u>\$ 13,756,350</u>	<u>\$ 7,769,144</u>	<u>\$ 4,445,147</u>	<u>\$ 25,970,641</u>

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	<u>Employee Retirement Funds</u>			<u>Total Employee Retirement Plans</u>
	<u>General Employees' Retirement Plan</u>	<u>Police Officers' Retirement Plan</u>	<u>Firefighters' Retirement Plan</u>	
ADDITIONS				
Contributions				
Employer	\$ 429,938	\$ 78,600	\$ 397,406	\$ 905,944
Plan members	220,873	69,426	56,515	346,814
State of Florida	-	90,756	77,460	168,216
Total contributions	<u>650,811</u>	<u>238,782</u>	<u>531,381</u>	<u>1,420,974</u>
Investment income	1,440,026	828,330	572,268	2,840,624
Less investment expense	<u>(147,496)</u>	<u>(108,008)</u>	<u>(59,131)</u>	<u>(314,635)</u>
Net investment income	<u>1,292,530</u>	<u>720,322</u>	<u>513,137</u>	<u>2,525,989</u>
TOTAL ADDITIONS	<u>1,943,341</u>	<u>959,104</u>	<u>1,044,518</u>	<u>3,946,963</u>
DEDUCTIONS				
Benefits paid and administrative costs	<u>873,069</u>	<u>347,415</u>	<u>421,246</u>	<u>1,641,730</u>
NET INCREASE	1,070,272	611,689	623,272	2,305,233
FIDUCIARY NET POSITION, BEGINNING	<u>12,686,078</u>	<u>7,157,455</u>	<u>3,821,875</u>	<u>23,665,408</u>
FIDUCIARY NET POSITION, ENDING	<u>\$ 13,756,350</u>	<u>\$ 7,769,144</u>	<u>\$ 4,445,147</u>	<u>\$ 25,970,641</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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.

In accordance with GASB Statement No. 32, 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 \$877,368 at September 30, 2017. Contributions and distributions made during the fiscal year ended September 30, 2017, were \$90,501 and \$7,872, respectively. The Plan had net earnings of \$52,355.

8. RISK MANAGEMENT

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

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

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenues note payable	\$ 544,168	\$ -	\$ (211,990)	\$ 332,178	\$ 332,178
Capital leases	87,151	239,342	(87,151)	239,342	47,491
Compensated absences	439,985	194,149	(227,469)	406,665	375,082
Total governmental activities	<u>\$ 1,071,304</u>	<u>\$ 433,491</u>	<u>\$ (526,610)</u>	<u>\$ 978,185</u>	<u>\$ 754,751</u>
Business-type activities					
Revenue notes payable	\$ 3,169,985	\$ -	\$ (695,427)	\$ 2,474,558	\$ 136,723
State revolving loans payable	4,106,289	-	(240,132)	3,866,157	245,925
Compensated absences	162,313	91,664	(100,635)	153,342	140,780
Total business-type activities	<u>\$ 7,438,587</u>	<u>\$ 91,664</u>	<u>\$ (1,036,194)</u>	<u>\$ 6,494,057</u>	<u>\$ 523,428</u>

Description of Long-Term Debt Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
<i>Revenue Note Payable</i>			
Revenue note payable incurred for financing various capital projects, bearing interest at 3.56%. Principal and interest payments of \$57,237 are made quarterly, until maturity on March 15, 2019. Note is secured by pledged tax revenues.	\$ 332,178	\$ -	\$ 332,178
<i>Capital Lease</i>			
Lease/purchase agreement bearing interest of 2.69% per annum. Principal and interest payments of \$51,272 will be made on an annual basis until November 14, 2021. The lease is collateralized by a fire truck.	47,491	191,851	239,342
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types.	375,082	31,583	406,665
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 754,751</u>	<u>\$ 223,434</u>	<u>\$ 978,185</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Notes Payable</i>			
<u>Sundial Utilities</u>			
Revenue note payable incurred for the acquisition of Sundial Utilities, Inc. (utility system) in the Sundial Utilities Fund, bearing interest at 1.62%. Annual principal and interest payments began June 15, 2014, and will be paid until maturity on June 15, 2033. The note is secured by revenues generated from current and future customers of the acquired utility system.	\$ 136,723	\$ 2,337,835	\$ 2,474,558
<i>State Revolving Loans Payable</i>			
<u>Water and Sewer</u>			
State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.46%; semi annual payments, including capitalized interest, of \$77,931 through March 15, 2027. Total approved loan is for \$14,916,418 for the purpose of improvements to the City's wastewater collection and treatment facilities. Amount outstanding includes capitalized interest of \$293,803.	124,316	1,188,927	1,313,243
State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.58%; semi annual payments of \$47,412, including capitalized interest, began January 15, 2015, maturing March 15, 2035. Total approved loan is for \$1,337,855, of which \$1,387,978 is outstanding at September 30, 2016. Amount outstanding includes capitalized interest of \$109,651.	60,937	1,267,647	1,328,584
State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.09%, semi annual payments of 42,968, including capitalized interest, began March 15, 2015, maturing September 15, 2034. Total approved loan is for \$1,355,338, of which \$1,283,754 is outstanding at September 30, 2015. Amount outstanding includes capitalized interest of \$18,350.	60,672	1,163,658	1,224,330
Total state revolving loans payable	245,925	3,620,232	3,866,157
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Proprietary Funds	140,780	12,562	153,342
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 523,428	\$ 5,970,629	\$ 6,494,057
GRAND TOTAL LONG-TERM DEBT			\$ 7,472,242

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

9. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2017, are as follows:

Governmental Activities

<u>Year Ending September 30</u>	<u>Note Payable</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 332,178	\$ 8,188	\$ 47,491	\$ 3,781
2019	-	-	46,047	5,225
2020	-	-	47,301	3,971
2021	-	-	48,590	2,683
2022	-	-	49,913	1,359
Total	<u>\$ 332,178</u>	<u>\$ 8,188</u>	<u>\$ 239,342</u>	<u>\$ 17,019</u>

Business-Type Activities

<u>Year Ending September 30</u>	<u>State Revolving Loans</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 245,925	\$ 90,698	\$ 136,723	\$ 40,088
2019	251,858	84,764	138,938	37,873
2020	257,935	78,686	141,189	35,622
2021	264,161	72,462	143,476	33,335
2022	270,537	66,085	145,801	31,011
2023-2027	1,375,950	229,231	765,207	118,849
2028-2032	804,160	99,641	829,230	54,826
2033-2037	395,631	13,302	173,994	2,819
Total	<u>\$ 3,866,157</u>	<u>\$ 734,869</u>	<u>\$ 2,474,558</u>	<u>\$ 354,423</u>

10. GAS FUND LINE OF CREDIT

The City established a line of credit in the amount of \$500,000, which is renewable annually in August. Interest is payable monthly at a rate of prime less 1.5%. The line of credit must have a \$0 balance for at least 30 days during each year. The line of credit is secured by gas revenues received by the City. No draws on the line of credit were made during the year ended September 30, 2017.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

11. RENTAL ACTIVITIES

The City is the lessor in multiple operating leases with communication companies, which are renting space on the City's water towers. The terms of the leases vary from 3-5 years, with options to renew, and expire in fiscal years 2017-2021. The rental income for the fiscal year ending September 30, 2017, was \$132,066.

Minimum lease payments to be received for the leases are as follows:

2018	\$ 142,351
2019	82,852
2020	61,563
2021	4,563
Total	\$ 291,329

12. CAPITAL CONTRIBUTIONS

For the year ended September 30, 2017, the Water and Sewer Fund had \$495,228 of capital contributions related to impact fees.

13. INTERFUND BALANCES

The composition of interfund balances as of September 30, 2017, is as follows:

Transfers Out	Transfers In									
	Governmental Activities			Business-Type Activities						Total
	General	CRA	Non-Major	Water and Sewer		Natural Gas	Sanitation	Sundial	Non-Major	
General	\$ -	\$ 48,000	\$ 352,964	\$ 6,652	\$ 3,095	\$ 2,563	\$ 177	\$ 79,329	\$ 492,780	
Non-Major Governmental	-	68,069	-	-	-	-	-	-	68,069	
Natural Gas	837,466	-	-	-	-	-	-	-	837,466	
Water and Sewer	2,172,633	-	-	-	50,820	-	-	-	2,223,453	
Sanitation	1,275	-	-	-	-	-	-	-	1,275	
Total	\$ 3,011,374	\$ 116,069	\$ 352,964	\$ 6,652	\$ 53,915	\$ 2,563	\$ 177	\$ 79,329	\$ 3,623,043	

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

14. POST-EMPLOYEE HEALTHCARE BENEFITS

Plan Description

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

The City (employer) follows GASB No. 45, Accounting and Reporting by Employers for Post-Employment Benefits Other than Pensions (OPEB), for certain post-employment health care benefits provided by the City. The Plan (Plan) follows GASB No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

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.

Membership

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	17
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>129</u>
Total	<u><u>146</u></u>

Inflation 3.00%

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

14. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

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, 2017:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and cash equivalent	3%	0.00%
Fixed income	43%	2.50%
Domestic equity	47%	7.50%
International Equity	8%	8.50%
Miscellaneous	0%	4.50%
Total	<u>100%</u>	

The Plan did not hold investments in any one organization that represent 5% or more of the Fund's Fiduciary Net Position.

Employer Reporting under GASB 45

Annual OPEB Cost and Net OPEB Asset

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset to the retiree health plan:

	9/30/2016	9/30/2017
Annual required contributions	\$ 242,939	\$ 321,320
Interest on net OPEB obligation	(3,777)	(7,847)
Adjustment to annual required contribution	<u>3,249</u>	<u>7,256</u>
Annual OPEB cost (expense) total	242,411	320,729
Expected implicit benefit payments	(34,071)	(59,823)
Employer contributions	<u>(262,612)</u>	<u>(209,577)</u>
Decrease in net OPEB obligation	(54,272)	51,329
Net OPEB obligation at beginning of year	<u>(50,359)</u>	<u>(104,631)</u>
Net OPEB obligation (asset) at end of year	<u>\$ (104,631)</u>	<u>\$ (53,302)</u>

* accumulated payable for prior valuations. The City has decided to leave these amounts in the trust.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

14. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

Employer Reporting under GASB 45 – Continued

Annual OPEB Cost and Net OPEB Asset – Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (first year of implementation), for the past three years were as follows:

	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation (asset)</u>
September 30, 2017	\$ 320,729	84.0%	\$ (53,302)
September 30, 2016	\$ 242,411	122.4%	\$ (104,631)
September 30, 2015	\$ 210,571	132.3%	\$ (50,359)

Funded Status and Funding Progress

As of September 30, 2017, the unfunded actuarial accrued liability for benefits was \$1,614,416. The covered payroll (annual payroll of active employees covered by the plan) was \$5,838,317, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.2%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7.5% investment rate of return and an annual healthcare costs trend rate of 8.75% initially, reduced by decrements to an ultimate rate of 4.0% in fiscal year 2017. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a 30-year period, utilizing the level dollar payment method.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

14. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

Plan Reporting under GASB 74

Net OPEB Liability

The measurement date for GASB 74 reporting is September 30, 2017. The Sponsor's Net OPEB Liability was measured as of September 30, 2017. The Total OPEB Liability used to calculate the Net OPEB Liability was determined as of that date using a roll-forward of the October 1, 2016 valuation results at a discount rate of 7.50%.

The components of the NET OPEB Liability of the Sponsor on September 30, 2017 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, 2016	\$ 3,708,482	\$ 2,094,066	\$ 1,614,416
Changes:			
Service cost	166,713	-	166,713
Interest	286,716	-	286,716
Explicit contributions - employer	-	201,812	(201,812)
Implicit contributions - employer	-	91,488	(91,488)
Net investment income	-	233,075	(233,075)
Explicit benefit payments	(15,054)	(15,054)	-
Implicit benefit payments	(91,488)	(91,488)	-
Administrative expenses	-	(32,389)	32,389
Net changes	<u>346,887</u>	<u>387,444</u>	<u>(40,557)</u>
Reporting Period Ending September 30, 2017	<u>\$ 4,055,369</u>	<u>\$ 2,481,510</u>	<u>\$ 1,573,859</u>

The Plan Fiduciary Net Position as a percentage of the Total OPEB Liability was 61.19% as of September 30, 2017.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

14. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

Plan Reporting under GASB 74 – Continued

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2016, using the following actuarial assumptions:

Salary increases	Varies
Discount rate	7.50%
Investment rate of return	7.50%
Healthcare cost trend rates	4.0%-8.75%

Mortality

For general employees, mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white collar table was used. For male lives, a 50% white collar table, 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two (2) years, male lives set back four (4) years. Disabled mortality has not been adjusted for mortality improvements.

For police and fire employees, mortality rates were also based on various RP-2000 mortality tables. For female lives, 100% of the white collar table was used. For male lives, a 10% white collar table, 90% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled female lives, a blend of 60% of the RP-2000 disabled female mortality table set forward two (2) years and 40% of the white collar table with no setback was used. For disabled male lives, a blend of 60% of the RP-2000 disabled male mortality table set back four (4) year and 40% of the white collar table with no setback was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

14. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

Plan Reporting under GASB 74 – Continued

Actuarial Assumptions – Continued

Sensitivity of the Net OPEB Liability to changes in the Discount Rate as of September 30, 2017:

The following presents the Net OPEB Liability of the Sponsor, as well as what the Sponsor'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 6.50%	Rate 7.50%	1% Increase 8.50%
Net OPEB Liability	\$ 2,270,199	\$ 1,573,859	\$ 1,020,841

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates as of September 30, 2017:

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

	Healthcare Cost Trend		
	1% Decrease 3.00%-7.75%	Rate 4.00%-8.75%	1% Increase 5.00%-9.75%
Net OPEB Liability	\$ 2,270,199	\$ 1,573,859	\$ 1,020,841

15. COMMITMENTS AND CONTINGENCIES

Grants

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

Legal Issues

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

Reporting Period ending Measurement Date	9/30/17 9/30/16	9/30/16 9/30/15	9/30/15 9/30/14
Total Pension Liability			
Service cost	\$ 318,891	\$ 300,174	\$ 299,907
Interest	1,131,940	1,107,941	1,073,644
Differences between expected and actual experience	(39,135)	(64,838)	-
Change in assumptions	444,060	-	-
Benefit payments, including refunds of employee contributions	<u>(1,044,056)</u>	<u>(1,079,979)</u>	<u>(810,211)</u>
Net change in total pension liability	811,700	263,298	563,340
Total pension liability – beginning	<u>14,352,382</u>	<u>14,089,084</u>	<u>13,525,744</u>
Total pension liability – ending (a)	<u>\$ 15,164,082</u>	<u>\$ 14,352,382</u>	<u>\$ 14,089,084</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 538,937	\$ 463,611	\$ 515,239
Contributions – member	229,488	211,695	216,487
Net investment income	938,420	173,587	1,056,606
Benefit payments, including refunds of employee contributions	(1,044,056)	(1,079,979)	(810,211)
Administrative expenses	<u>(51,481)</u>	<u>(33,909)</u>	<u>(30,596)</u>
Net change in plan fiduciary net position	611,308	(264,995)	947,525
Plan fiduciary net position – beginning	<u>12,170,488</u>	<u>12,435,483</u>	<u>11,487,958</u>
Plan fiduciary net position – ending (b)	<u>\$ 12,781,796</u>	<u>\$ 12,170,488</u>	<u>\$ 12,435,483</u>
Net pension liability – ending (a)-(b)	<u>\$ 2,382,286</u>	<u>\$ 2,181,894</u>	<u>\$ 1,653,601</u>
Plan fiduciary net position as a percentage of the total pension liability	84.29%	84.80%	88.26%
Covered payroll	\$ 2,294,878	\$ 2,534,951	\$ 2,164,868
Net pension liability as a percentage of covered payroll	103.81%	86.07%	76.38%

Notes to Schedule:

This information is not available for previous years.

Changes in Assumptions: For the reporting period 9/30/17, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System. The inflation assumption rate was lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See notes to required supplementary information.

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

Reporting Period ending Measurement Date	9/30/17 9/30/16	9/30/16 9/30/15	9/30/15 9/30/14
Total Pension Liability			
Service cost	\$ 179,035	\$ 188,061	\$ 207,626
Interest	527,269	516,585	481,214
Differences between expected and actual experience	75,137	(185,417)	-
Changes of assumptions [^]	-	(44,471)	-
Benefit payments, including refunds of employee contributions	(414,900)	(249,463)	(204,802)
Net change in total pension liability	366,541	225,295	484,038
Total pension liability – beginning	6,671,838	6,446,543	5,962,505
Total pension liability – ending (a)	\$ 7,038,379	\$ 6,671,838	\$ 6,446,543
Plan Fiduciary Net Position			
Contributions – employer	\$ 82,582	\$ 92,468	\$ 165,216
Contributions – state	89,139	80,630	79,290
Contributions – member	64,142	60,142	45,594
Net investment income	525,026	82,306	535,784
Benefit payments, including refunds of employee contributions	(414,900)	(249,463)	(204,802)
Administrative expenses	(45,128)	(43,647)	(38,805)
Net change in plan fiduciary net position	300,861	22,436	582,277
Plan fiduciary net position – beginning	6,888,866	6,866,430	6,284,153
Plan fiduciary net position – ending (b)	\$ 7,189,727	\$ 6,888,866	\$ 6,866,430
Net pension liability (asset) – ending (a)-(b)	\$ (151,348)	\$ (217,028)	\$ (419,887)
Plan fiduciary net position as a percentage of the total pension liability	102.15%	103.25%	106.51%
Covered employee payroll	\$ 801,776	\$ 892,823	\$ 733,479
Net pension liability as a percentage of covered employee payroll	-18.88%	-24.31%	-57.25%

Notes to Schedule:

This information is not available for previous years.

Changes in assumptions: For the reporting period 9/30/16, the inflation assumption rate was lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See notes to required supplementary information.

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

Reporting Period ending Measurement Date	9/30/17 9/30/16	9/30/16 9/30/15	9/30/15 9/30/14
Total Pension Liability			
Service cost	\$ 120,267	\$ 112,024	\$ 114,365
Interest	584,392	567,389	544,624
Differences between expected and actual experience	64,117	105,996	-
Change in assumptions	239,044	-	-
Benefit payments, including refunds of employee contributions	(787,258)	(361,274)	(364,527)
Net change in total pension liability	220,562	424,135	294,462
Total pension liability – beginning	7,814,371	7,390,236	7,095,774
Total pension liability – ending (a)	<u>\$ 8,034,933</u>	<u>\$ 7,814,371</u>	<u>\$ 7,390,236</u>
Plan Fiduciary Net Position			
Contributions – employer	\$ 349,105	\$ 272,667	\$ 247,125
Contributions – state	81,560	77,020	85,115
Contributions – member	50,925	44,832	43,983
Net investment income	414,969	(202,680)	427,274
Benefit payments, including refunds of employee contributions	(787,258)	(361,274)	(364,527)
Administrative expenses	(24,768)	(30,222)	(14,201)
Net change in plan fiduciary net position	84,533	(199,657)	424,769
Plan fiduciary net position – beginning	3,774,535	3,974,192	3,549,423
Plan fiduciary net position – ending (b)	<u>\$ 3,859,068</u>	<u>\$ 3,774,535</u>	<u>\$ 3,974,192</u>
Net pension liability – ending (a)-(b)	<u>\$ 4,175,865</u>	<u>\$ 4,039,836</u>	<u>\$ 3,416,044</u>
Plan fiduciary net position as a percentage of the total pension liability	48.03%	48.30%	53.78%
Covered employee payroll	\$ 783,461	\$ 811,423	\$ 639,252
Net pension liability as a percentage of covered employee payroll	533.00%	497.87%	534.38%

Notes to schedule:

This information is not available for previous years

Changes in assumptions: For the reporting period 9/30/17, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See notes to required supplementary information.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>General Employees' Retirement Plan</u>										
Actuarially determined contribution	\$ 410,250	\$ 493,399	\$ 463,611	\$ 515,239	\$ 431,650	\$ 350,068	\$ 263,193	\$ 212,522	\$ 146,590	\$ 150,416
Contributions in relation to the actuarially determined contributions	410,250	538,937	463,611	515,239	431,650	350,068	263,193	212,522	182,014	157,672
Contribution deficiency (excess)	\$ -	\$ (45,538)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (35,424)	\$ (7,256)
Covered employee payroll*	\$ 2,125,652	\$ 2,294,878	\$ 2,534,951	\$ 2,164,868	\$ 2,534,951	\$ 2,147,539	\$ 2,212,864	\$ 2,310,954	\$ 2,470,351	\$ 2,489,102
Net pension liability as a percentage of covered employee payroll	19.30%	23.48%	18.29%	23.80%	17.03%	16.30%	11.89%	9.20%	7.37%	6.33%
<u>Police Officers' Retirement Plan</u>										
Actuarially determined contribution	\$ 158,182	\$ 165,968	\$ 158,624	\$ 244,248	\$ 267,788	\$ 247,022	\$ 228,650	\$ 190,324	\$ 114,610	\$ 127,653
Contributions in relation to the actuarially determined contribution	167,375	171,721	173,098	244,506	267,788	247,022	228,650	190,324	114,610	130,970
Contribution deficiency (excess)	\$ (9,193)	\$ (5,753)	\$ (14,474)	\$ (258)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,317)
Covered employee payroll*	\$ 823,863	\$ 801,776	\$ 892,823	\$ 733,479	\$ 2,534,951	\$ 760,984	\$ 853,431	\$ 836,238	\$ 789,029	\$ 750,271
Net pension liability as a percentage of covered employee payroll	20.32%	21.42%	19.39%	33.34%	10.56%	32.46%	26.79%	22.76%	14.53%	17.46%
<u>Firefighters' Retirement Plan</u>										
Actuarially determined contribution	\$ 470,538	\$ 406,616	\$ 349,687	\$ 332,240	\$ 279,992	\$ 216,366	\$ 203,499	\$ 203,450	\$ 97,209	\$ 102,006
Contributions in relation to the actuarially determined contributions	465,506	430,665	349,687	332,240	279,992	214,366	203,499	203,449	105,899	108,986
Contribution deficiency (excess)	\$ 5,032	\$ (24,049)	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ 1	\$ (8,690)	\$ (6,980)
Covered employee payroll*	\$ 841,749	\$ 783,461	\$ 811,423	\$ 676,661	\$ 2,164,868	\$ 657,941	\$ 655,402	\$ 739,015	\$ 728,150	\$ 654,729
Net pension liability as a percentage of covered employee payroll	55.30%	54.97%	43.10%	49.10%	12.93%	32.58%	31.05%	27.53%	14.54%	16.65%

* The reported Covered Employee Payroll figure for years prior to 2015 was based on Pensionable Salary.

See notes to required supplementary information.

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

Valuation Date: October 1, 2014

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: Level Percentage of Pay, Closed

Remaining amortization period: 23 Years (as of 10/01/2014)

Asset valuation method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Inflation: 3.0% per year

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

Interest rate: 8.0% per year compounded annually, net of investment related expenses

Payroll growth: 0.02% (Utilized for amortizing the unfunded actuarial accrued liabilities)

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

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

Mortality: RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives are set forward five years.

See notes to required supplementary information.

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

Valuation Date: October 1, 2014

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 Years (as of 10/01/2014)

Asset valuation method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Inflation: 3.0% per year

Salary increases: 7.5% per year until the assumed retirement age. Projected salary at retirement is increased based on service as of July 1, 2011 to account for non-regular compensation as follows (previously a flat 20% assumption):

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

Interest rate: 8.00% per year, compounded annually, net of investment related expenses

Payroll increase: 3.00% per year

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

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

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

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

Mortality: RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years.)

See notes to required supplementary information.

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

Valuation Date: October 1, 2014

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 Years (as of 10/01/2014 valuation)

Asset valuation method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Inflation: 3.0% per year

Salary increases: 6% per year until the assumed Retirement Age

Interest rate: 7.75% per year compounded annually, net of investment related expenses.

Payroll growth: 10-year historical average of the actual payroll growth, limited to 5.0% per year (limited to 1.95% for 10/1/2014).

Retirement age: Earlier of Age 54 and 10 years of service or the completion of 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.

Early retirement: Commencing at eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 2% per year.

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

Mortality: RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

See notes to required supplementary information.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>General Employees' Retirement Plan</u>				
Annual Money-Weighted Rate of Return *Net of Investment expense	7.77%	1.41%	9.19%	12.60%
<u>Police Officers' Retirement Plan</u>				
Annual Money-Weighted Rate of Return *Net of Investment expense	7.80%	1.21%	8.55%	12.54%
<u>Firefighters' Retirement Plan</u>				
Annual Money-Weighted Rate of Return *Net of Investment expense	11.21%	-5.08%	11.98%	7.54%

**CITY OF MILTON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded	Annual Covered Payroll (c)	UAAL as % of Payroll [c/(b-a)]
October 1, 2017	\$ 2,481,510	\$ 4,055,369	\$ 1,573,850	61.19%	\$ 5,838,317	26.96%
October 1, 2016	\$ 2,094,066	\$ 3,708,482	\$ 1,614,416	56.47%	\$ 5,838,317	27.65%
October 1, 2015	\$ 1,733,589	\$ 2,937,714	\$ 1,204,125	59.01%	\$ 5,626,140	21.40%
October 1, 2014	\$ 1,372,795	\$ 2,566,718	\$ 1,193,923	53.48%	\$ 5,399,044	22.11%

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

Reporting Period ending Measurement Date	9/30/17 9/30/17
Total Pension Liability	
Service cost	\$ 166,713
Interest	286,716
Explicit benefit payments	(15,054)
Implicit benefit payments	(91,488)
	346,887
Net change in total pension liability	346,887
Total pension liability – beginning	3,708,482
Total pension liability – ending (a)	\$ 4,055,369
Plan Fiduciary Net Position	
Explicit contributions - employer	\$ 201,812
Implicit contributions - employer	91,488
Net investment income	233,075
Explicit benefit payments	(15,054)
Implicit benefit payments	(91,488)
Administrative expenses	(32,389)
	387,444
Net change in plan fiduciary net position	387,444
Plan fiduciary net position – beginning	2,094,066
Plan fiduciary net position – ending (b)	\$ 2,481,510
Net pension liability – ending (a)-(b)	\$ 1,573,859
Plan fiduciary net position as a percentage of the total pension liability	61.19%
Covered employee payroll	\$ 5,838,317
Net pension liability as a percentage of covered employee payroll	26.96%

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

	2017
Actuarially determined contribution	\$ 321,320
Contributions in relation to the actuarially determined contributions	201,812
Contribution deficiency	\$ 119,508
Covered employee payroll*	\$ 5,838,317
Net pension liability as a percentage of covered employee payroll	3.46%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return	10.70%	7.70%	0.40%	8.30%

*Net of Investment expense

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

Valuation Date: October 1, 2016

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 Years (as of 10/01/2016 valuation)

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

Healthcare Inflation: Initial rate of 8.75% in fiscal 2017, then 8.50% in fiscal 2018, grading down to the ultimate trend rate of 4.00% in fiscal 2073.

Payroll Growth: 2.0% per year.

Inflation: 3.0% per year.

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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.

Downtown Redevelopment Fund

To account for funds received from intergovernmental sources, as well as funds transferred into this fund by the City. Expenditures in this fund are to be used for the purpose of improving the City's downtown area.

Red Light Camera Fund

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

Debt Service Fund

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

Capital Projects Fund

The Capital Projects Fund accounts for resources used for the acquisition and/or construction of capital facilities, except for those accounted for in proprietary funds. This fund is presented at a non-major fund for public interest purposes.

**CITY OF MILTON, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2017**

	<u>Special Revenue Funds</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Police Special Investigation</u>	<u>Red Light Camera</u>	<u>Debt Service Debt Service</u>	<u>Capital Projects</u>	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 335,995	\$ -	\$ 335,995
Accounts receivable	-	500	-	-	500
Due from other governments	-	-	-	446,838	446,838
Restricted cash	8,596	11,755	-	478,067	498,418
TOTAL ASSETS	<u>\$ 8,596</u>	<u>\$ 12,255</u>	<u>\$ 335,995</u>	<u>\$ 924,905</u>	<u>\$ 1,281,751</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ 11,755	\$ -	\$ 136,697	\$ 148,452
Due to other funds	-	-	-	200,000	200,000
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>11,755</u>	<u>-</u>	<u>336,697</u>	<u>348,452</u>
Fund balance					
Restricted					
Capital projects	-	-	-	588,208	588,208
Public safety	8,596	500	-	-	9,096
Downtown redevelopment	-	-	-	-	-
Assigned	-	-	335,995	-	335,995
Total fund balance	<u>8,596</u>	<u>500</u>	<u>335,995</u>	<u>588,208</u>	<u>933,299</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,596</u>	<u>\$ 12,255</u>	<u>\$ 335,995</u>	<u>\$ 924,905</u>	<u>\$ 1,281,751</u>

**CITY OF MILTON, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Special Revenue Funds</u>					Total Nonmajor Governmental Funds
	Police Special Investigation	Downtown Redevelopment	Red Light Camera	Debt Service	Capital Projects	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 193,166	\$ 193,166
Intergovernmental	-	-	-	-	1,082,072	1,082,072
Fines and forfeits	567	-	177,556	-	-	178,123
Miscellaneous	5	750	713	143	85	1,696
Total revenues	<u>572</u>	<u>750</u>	<u>178,269</u>	<u>143</u>	<u>1,275,323</u>	<u>1,455,057</u>
EXPENDITURES						
Current						
Public safety	-	-	177,785	-	-	177,785
Capital outlay	-	-	-	-	940,030	940,030
Debt service						
Principal	-	-	-	299,141	-	299,141
Interest	-	-	-	19,573	-	19,573
Total expenditures	<u>-</u>	<u>-</u>	<u>177,785</u>	<u>318,714</u>	<u>940,030</u>	<u>1,436,529</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>572</u>	<u>750</u>	<u>484</u>	<u>(318,571)</u>	<u>335,293</u>	<u>18,528</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	318,713	34,251	352,964
Transfers out	-	(68,069)	-	-	-	(68,069)
Total other financing sources (uses)	<u>-</u>	<u>(68,069)</u>	<u>-</u>	<u>318,713</u>	<u>34,251</u>	<u>284,895</u>
NET CHANGE IN FUND BALANCE	572	(67,319)	484	142	369,544	303,423
FUND BALANCE, BEGINNING	8,024	67,319	16	335,853	218,664	629,876
FUND BALANCE, ENDING	<u>\$ 8,596</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 335,995</u>	<u>\$ 588,208</u>	<u>\$ 933,299</u>

NON-MAJOR PROPRIETARY FUNDS

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

Stormwater Fund

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

Marina Fund

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

**CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 265,002	\$ 99,209	\$ 364,211
Receivables, net	39,398	1,720	41,118
Total current assets	<u>304,400</u>	<u>100,929</u>	<u>405,329</u>
Capital assets			
Non-depreciable	352,868	519,404	872,272
Depreciable, net	110,406	35,250	145,656
Total capital assets	<u>463,274</u>	<u>554,654</u>	<u>1,017,928</u>
TOTAL ASSETS	<u>767,674</u>	<u>655,583</u>	<u>1,423,257</u>
LIABILITIES			
Current liabilities			
Accounts payable	35,298	190	35,488
TOTAL LIABILITIES	<u>35,298</u>	<u>190</u>	<u>35,488</u>
NET POSITION			
Net investment in capital assets	463,274	554,654	1,017,928
Unrestricted	269,102	100,739	369,841
TOTAL NET POSITION	<u>\$ 732,376</u>	<u>\$ 655,393</u>	<u>\$ 1,387,769</u>

**CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Stormwater fund</u>	<u>Marina Fund</u>	<u>Total Non-Major Funds</u>
OPERATING REVENUES			
Charges for services	\$ 230,435	\$ -	\$ 230,435
OPERATING EXPENSES			
Operating	116,070	34,460	150,530
Depreciation	22,476	11,465	33,941
Total operating expenses	138,546	45,925	184,471
OPERATING INCOME (LOSS)	91,889	(45,925)	45,964
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	-	34,000	34,000
Interest income	107	-	107
Miscellaneous	-	19,250	19,250
Total non-operating revenues (expenses)	107	53,250	53,357
INCOME BEFORE OPERATING TRANSFERS	91,996	7,325	99,321
Transfers in	-	79,329	79,329
Transfers out	-	-	-
Total transfers	-	79,329	79,329
CHANGE IN NET POSITION	91,996	86,654	178,650
NET POSITION, BEGINNING	640,380	568,739	1,209,119
NET POSITION, ENDING	<u>\$ 732,376</u>	<u>\$ 655,393</u>	<u>\$ 1,387,769</u>

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Stormwater Fund	Marina Fund	Total Major Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 228,922	\$ (145)	\$ 228,777
Payments to suppliers	(96,427)	(34,467)	(130,894)
Miscellaneous income	-	19,250	19,250
Net cash provided by (used in) operating activities	<u>132,495</u>	<u>(15,362)</u>	<u>117,133</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	79,329	79,329
Net cash provided by non-capital financing activities	<u>-</u>	<u>79,329</u>	<u>79,329</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental revenues	-	34,000	34,000
Acquisitions of capital assets	(348,763)	-	(348,763)
Net cash used in capital and related financing activities	<u>(348,763)</u>	<u>34,000</u>	<u>(314,763)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	107	-	107
NET INCREASE IN CASH AND CASH EQUIVALENTS	(216,161)	97,967	(118,194)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>481,163</u>	<u>1,242</u>	<u>482,405</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 265,002</u></u>	<u><u>\$ 99,209</u></u>	<u><u>\$ 364,211</u></u>

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Non-Major Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 91,889	\$ (45,925)	\$ 45,964
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	22,476	11,465	33,941
Miscellaneous income	-	19,250	19,250
Decrease (increase) in assets:			
Accounts receivable	(1,513)	(145)	(1,658)
Increase (decrease) in liabilities:			
Accounts payable	19,643	(7)	19,636
Net cash provided by (used in) operating activities	<u>\$ 132,495</u>	<u>\$ (15,362)</u>	<u>\$ 117,133</u>

COMPLIANCE SECTION

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

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

We have examined the City of Milton, Florida's (the City) compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2017.

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 and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Milton, Florida complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2017.

Warren Averett, LLC

Fort Walton Beach, Florida
March 15, 2018

**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, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Milton, Florida's basic financial statements and have issued our report thereon dated March 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Milton, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Milton, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Milton, Florida'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 consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. [2017-01]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Milton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

City of Milton, Florida's Response to Findings

City of Milton, Florida's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. City of Milton, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 15, 2018

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Finding 2017-001: Bank Reconciliation Process

Criteria and Condition:

Reconciliation of the month-end bank balance to the general ledger balance should be performed with no unreconciled difference existing upon completion. Throughout the year, the City's bank reconciliation for the pooled cash accounts did not agree to the general ledger balances. At September 30, 2017, an unreconciled difference of \$51,162 existed.

Cause:

The City's pooled cash bank account reconciliation process is complex. Transactions affecting the pooled cash include non-cash transactions, wire transfers, posting of receipts from the Utility Billing software, etc. On-going monitoring is vital in the reconciliation process. The City had not adequately monitored the general ledger activity against the pooled bank account activity throughout the year.

Effect:

The September 30, 2017 reconciliation contained an unreconciled difference of \$51,162.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions:

The City will review current bank reconciliation procedures and discuss corrective actions to be made in the coming year.

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Milton, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 15, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports and schedule, which are dated March 15, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. The current year finding 2017-001 is a reoccurrence of the finding reported as finding 2016-001.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City of Milton, Florida has been disclosed in Note 1 to the financial statements.

During 1992, the Florida Department of Community Affairs determined that the Housing Authority of the City of Milton, Florida was a dependent special district of the City. Utilizing the standards set forth in GASB Statement No. 61, the Housing Authority of the City of Milton, Florida was not considered as having met sufficient criteria for inclusion within the City's audited financial statements for the year ended September 30, 2017. As a result, the Housing Authority of the City of Milton, Florida is not included in the City of Milton, Florida's annual financial report.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we address in the management letter any recommendations to improve financial management. Our recommendations are outlined in the accompanying Schedule of Findings and Management's Responses as well as below under the heading Current Year Findings and Recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Milton, Florida, for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

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

Purpose of this Letter

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 15, 2018