



## Financial Statements and Supplementary Information

*Fiscal Year Ended September 30, 2014*



## **INTRODUCTORY SECTION**

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FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council Members

### **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, 2014, 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 auditor's 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General 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, the Schedule of Funding Progress – Unaudited on page 58, and the Schedule of Contributions from the Employer and Other Contributing Entities – Unaudited on page 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milton, Florida's basic financial statements. The Combining Non-Major Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, 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  
February 20, 2015

## **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, 2014.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities and deferred inflow of resources by approximately \$44.2 million (net position), which represents an increase of \$8.2 million (or 23%) from the prior year. Of this amount, \$31.4 million represents net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$3.0 million is restricted for future obligations, and \$9.8 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The net position of the governmental-type activities of the City increased by \$1.3 million (or 9%) from the prior year, attributable to amounts transferred from business-type activities.
- The net position of the business-type activities of the City increased by \$6.9 million (or 31%) from the prior year. The increase is primarily attributable to capital grants and contributions from the State of Florida Department of Environmental Protection.
- The City's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$68.0 thousand. Approximately \$1.3 million (or 33%) of the ending fund balances is nonspendable, restricted, or assigned, and \$2.6 million (or 67%) is available for spending.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2.7 million, or approximately four months of General Fund operating expenditures.
- During fiscal year 2014, the City received a grant from the Florida Department of Environmental Protection to apply towards the City's State Revolving Fund loan balance. Proceeds of this loan were utilized for improvements to the City's wastewater collection and treatment facilities. The total amount granted to the City for fiscal year 2014 totaled approximately \$7.5 million, resulting in a September 30, 2014 loan balance of approximately \$1.7 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The focus of the Governmental Accounting Standards Board (GASB) Statement No. 34 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.

## **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 and liabilities and deferred inflow 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 Changes in Net Position 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, and Downtown Redevelopment), 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.

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 19-23 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 six individual governmental funds (General Fund, Capital Projects Fund, Police Special Investigation Fund, Downtown Redevelopment Fund, Red Light Camera 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, which is always considered to be a major fund, and for the Capital Projects Fund. Data from the other four governmental funds (Police Special Investigation Fund, Downtown Redevelopment Fund, Red Light Camera Fund, and Debt Service Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and can be found on pages 74-75 in the report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the fund to demonstrate compliance with the budget, which is found on page 23 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).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Found on pages 24-28 of this report are the basic proprietary fund financial statements, which include separate presentations of the four major proprietary 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 76-79 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 29-30 of this report are the basic fiduciary fund financial statements.

## **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 31 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 67-73 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 74-79 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 exceeded liabilities and deferred inflow of resources by \$44.2 million (net position) for the fiscal year ended 2014, as reported in Table 1. As reported in Table 2, the overall increase in the City's net position was \$8.2 million (or 23%) during fiscal year 2014.

By far the largest portion of the City's net position, \$31.4 million (or 71%) 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 \$3.0 million (or 7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9.8 million, may be used to meet the government's ongoing obligations to citizens and creditors.

**Table 1**  
**CITY OF MILTON, FLORIDA**  
**STATEMENTS OF NET POSITION**  
**AS OF SEPTEMBER 30, 2014 AND 2013**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Current and other assets	\$ 4,626,665	\$ 4,743,174	\$10,276,382	\$10,156,194	\$14,903,047	\$14,899,368
Capital assets	12,937,390	11,944,756	27,967,976	29,270,631	40,905,366	41,215,387
<b>Total assets</b>	<b>17,564,055</b>	<b>16,687,930</b>	<b>38,244,358</b>	<b>39,426,825</b>	<b>55,808,413</b>	<b>56,114,755</b>
Long-term liabilities outstanding	1,607,525	1,876,214	9,037,348	16,991,673	10,644,873	18,867,887
Other liabilities*	352,629	513,069	550,795	641,710	903,424	1,154,779
<b>Total liabilities</b>	<b>1,960,154</b>	<b>2,389,283</b>	<b>9,588,143</b>	<b>17,633,383</b>	<b>11,548,297</b>	<b>20,022,666</b>
<b>Total deferred inflow of resources*</b>	<b>98,972</b>	<b>113,310</b>	<b>-</b>	<b>-</b>	<b>98,972</b>	<b>113,310</b>
Net position						
Net investment in capital assets	11,737,152	10,475,124	19,662,532	12,985,021	31,399,684	23,460,145
Restricted	574,536	700,677	2,425,369	3,289,037	2,999,905	3,989,714
Unrestricted	3,193,241	3,009,536	6,568,314	5,519,384	9,761,555	8,528,920
<b>Total net position</b>	<b>\$15,504,929</b>	<b>\$14,185,337</b>	<b>\$28,656,215</b>	<b>\$21,793,442</b>	<b>\$44,161,144</b>	<b>\$35,978,779</b>

*\*2013 amounts have been reclassified to conform to newly adopted standards*

Governmental and business-type activities increased the City's net position by \$1.3 million and \$6.9 million, respectively. 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, 2014 AND 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 1,144,848	\$ 1,070,277	\$ 11,806,288	\$ 10,789,573	\$ 12,951,136	\$ 11,859,850
Capital grants and contributions	1,452,999	1,240,393	7,889,131	943,592	9,342,130	2,183,985
<b>General revenues</b>						
Property taxes	924,913	922,419	-	-	924,913	922,419
Other taxes	1,329,883	1,379,048	-	-	1,329,883	1,379,048
Other revenue	1,098,339	1,020,825	221,065	220,240	1,319,404	1,241,065
<b>TOTAL REVENUES</b>	<b>5,950,982</b>	<b>5,632,962</b>	<b>19,916,484</b>	<b>11,953,405</b>	<b>25,867,466</b>	<b>17,586,367</b>
<b>EXPENSES</b>						
<b>Primary government</b>						
General government	2,595,048	2,603,550	-	-	2,595,048	2,603,550
Public safety	3,823,592	3,810,647	-	-	3,823,592	3,810,647
Transportation	1,017,003	1,095,169	-	-	1,017,003	1,095,169
Economic environment	41,544	32,279	-	-	41,544	32,279
Culture and recreation	1,272,808	1,175,008	-	-	1,272,808	1,175,008
Debt service interest	49,728	58,404	-	-	49,728	58,404
<b>Business-type activities</b>						
Natural gas	-	-	2,816,764	2,414,198	2,816,764	2,414,198
Water and sewer	-	-	4,699,714	4,787,238	4,699,714	4,787,238
Sanitation	-	-	805,916	863,439	805,916	863,439
Sundial utilities	-	-	393,647	141,502	393,647	141,502
Non-major proprietary funds	-	-	169,337	120,628	169,337	120,628
<b>TOTAL EXPENSES</b>	<b>8,799,723</b>	<b>8,775,057</b>	<b>8,885,378</b>	<b>8,327,005</b>	<b>17,685,101</b>	<b>17,102,062</b>
<b>Increase (decrease) in net position before transfers</b>	<b>(2,848,741)</b>	<b>(3,142,095)</b>	<b>11,031,106</b>	<b>3,626,400</b>	<b>8,182,365</b>	<b>484,305</b>
Transfers	4,168,333	4,484,053	(4,168,333)	(4,484,053)	-	-
<b>Increase (decrease) in net position</b>	<b>1,319,592</b>	<b>1,341,958</b>	<b>6,862,773</b>	<b>(857,653)</b>	<b>8,182,365</b>	<b>484,305</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>14,185,337</b>	<b>12,843,379</b>	<b>21,793,442</b>	<b>22,651,095</b>	<b>35,978,779</b>	<b>35,494,474</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 15,504,929</b>	<b>\$ 14,185,337</b>	<b>\$ 28,656,215</b>	<b>\$ 21,793,442</b>	<b>\$ 44,161,144</b>	<b>\$ 35,978,779</b>

## **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.
- **Commission 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.

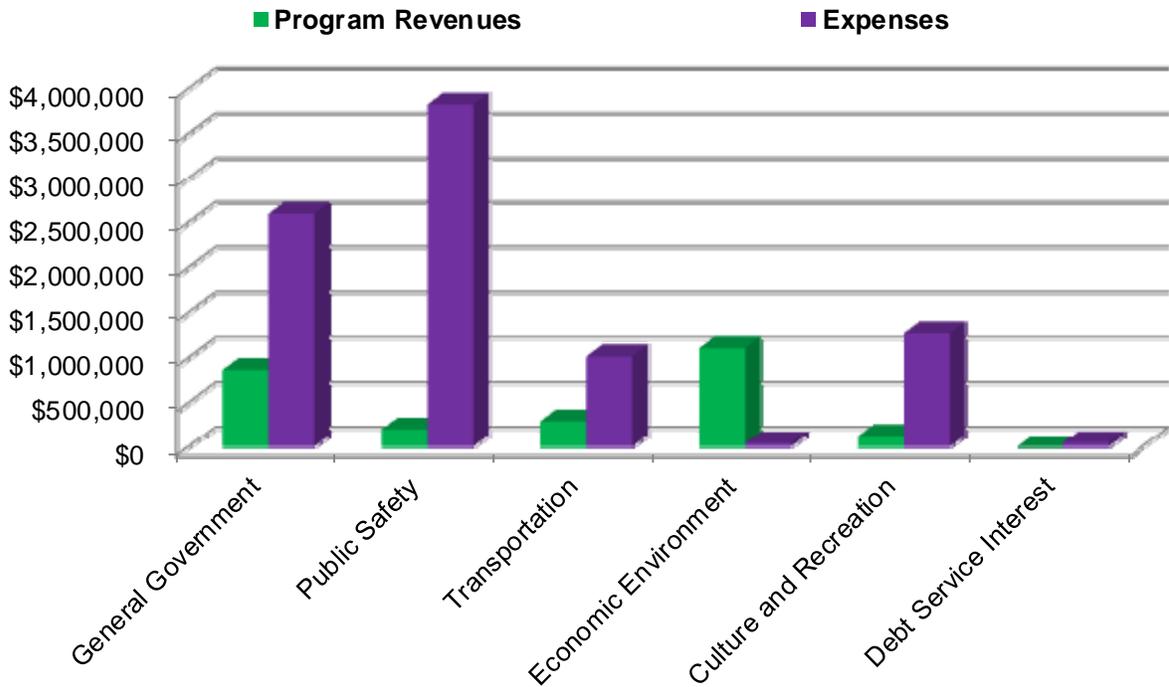
#### ***Expenses***

- **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 31% 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.

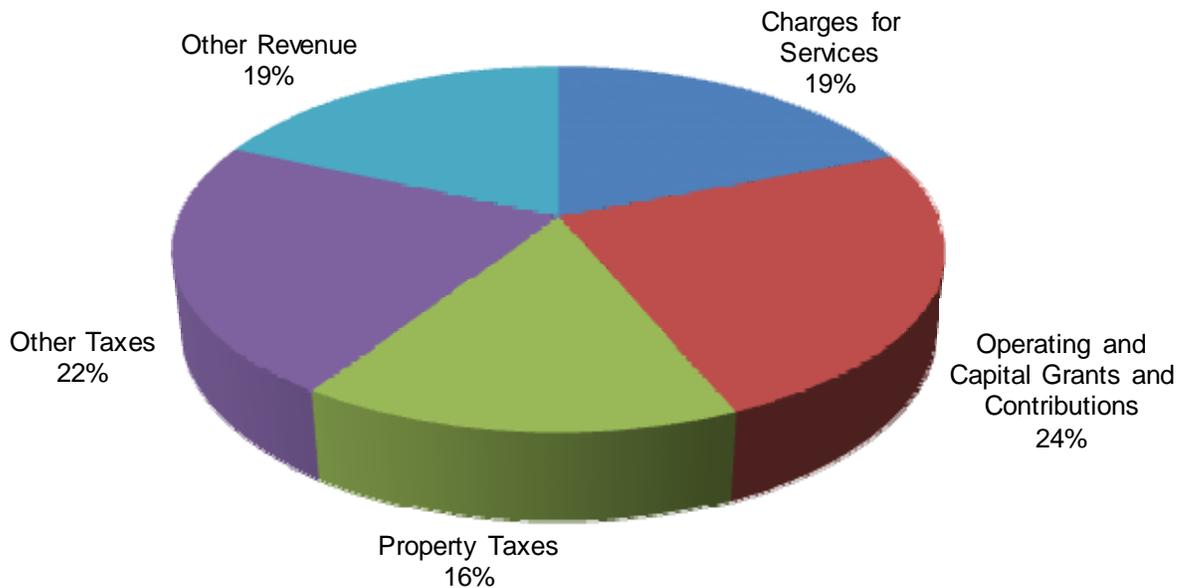
#### **Current Year Impacts - Governmental Activities**

- Capital grants and contributions increased \$213 thousand as a result of grant proceeds received for the Florida Department of Transportation Roadside Beautification project on State Road 10 (US 90).
- Culture and recreation expenses increased \$98 thousand as a result of the reestablishment of the City's landscaping department.
- Transfers out of the business-type activities into the governmental-type activities decreased by \$316 thousand compared to the prior year based on decreased budgeted transfers.

**Chart 1**  
**Expenses and Program Revenues**  
*Governmental Activities*

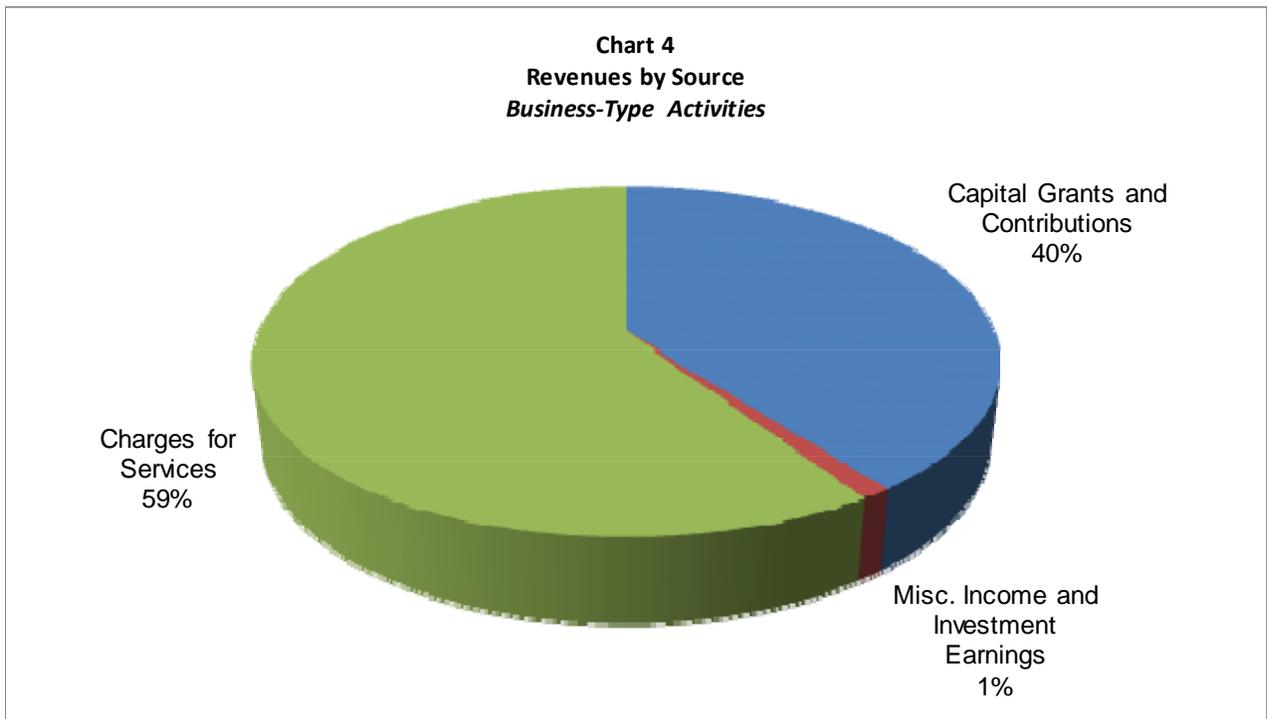
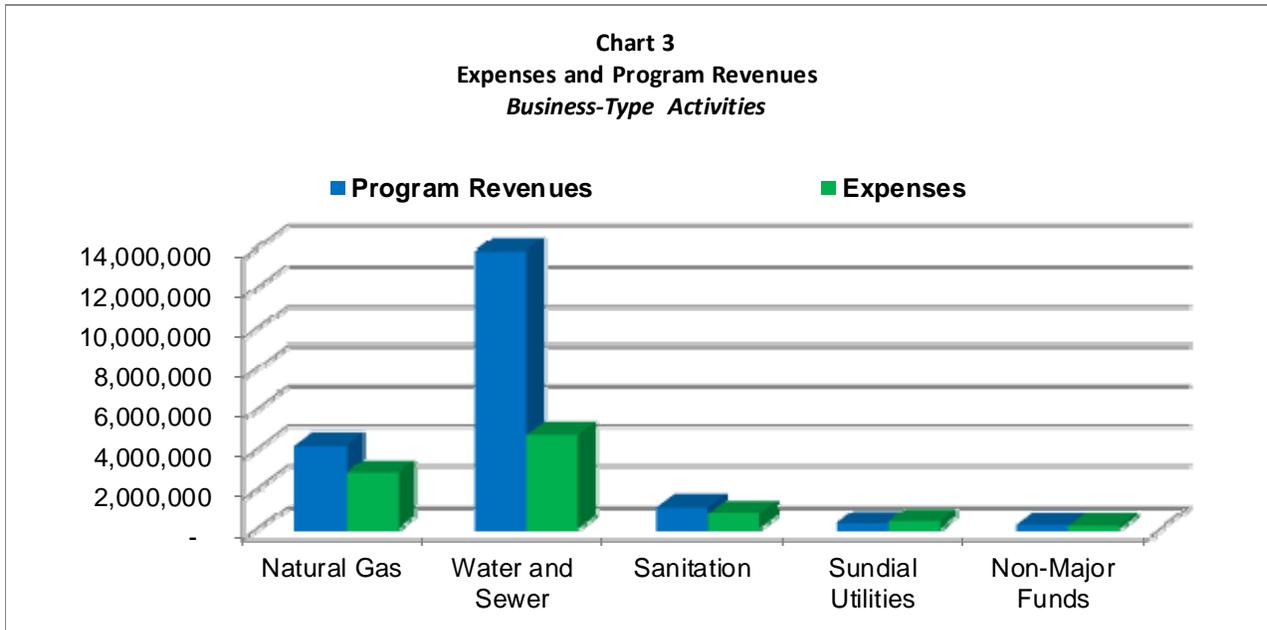


**Chart 2**  
**Revenues by Source**  
*Governmental Activities*



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

- Charges for services increased approximately \$1.0 million due to increased customer usage of natural gas and water consumption due to weather impacts. As a result, the related expenses increased as well.
- Capital grants and contributions increased \$6.9 million due to increased grant monies received from the Florida Department of Environmental Protection as previously mentioned in the Financial Highlights section of the Management’s Discussion and Analysis.
- As previously mentioned in the governmental activities impacts, transfers out of the business-type activities decreased by \$316 thousand due to decreased budgeted transfers.



## **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 \$3.9 million, an increase of \$68.0 thousand from the prior year. \$2.6 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 \$2.7 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 four months of the General Fund operating expenditures.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$181.5 thousand. A key reason for this decrease is due to additional capital outlay expenditures, which included land acquisition.

### **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 \$6.6 million at the end of the year. Proprietary funds net position increased by \$6.9 million. The factors concerning the finances of these proprietary funds have been addressed in the discussion of the City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budgeted expenditures were increased by \$398 thousand, budgeted revenues were increased by \$112 thousand, and budgeted net transfers decreased by \$253 thousand, as presented in the final amended budget. The majority of the General Fund budget adjustment was to account for additional intergovernmental revenues for capital project expenditures. An additional \$44 thousand was added to intergovernmental revenues, \$23 thousand was added for charges for services, and \$45 thousand was added for miscellaneous revenues.

Actual results, when compared to the final budget, show a variance of \$685 thousand. The key factors in this variance are the general government, public safety, and culture and recreation expenditures being under budget by approximately \$193 thousand, \$131 thousand, and \$112 thousand, respectively. This was the result of implementing city-wide cost saving measures. In addition, actual revenues were higher than anticipated by approximately \$125 thousand.

## 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, 2014, amounts to \$40.9 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 investment in capital assets, for the current fiscal year, was \$310 thousand. This decrease is essentially attributable to current year depreciation offset by current year additions which include completion of the Sanders Street drainage improvement project and ongoing Ward Basin Force Main project.

**Table 3**  
**CITY OF MILTON, FLORIDA**  
**CAPITAL ASSETS**  
**(Net of Depreciation)**  
**AS OF SEPTEMBER 30, 2014 AND 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 1,985,579	\$ 1,733,818	\$ 979,313	\$ 979,313	\$ 2,964,892	\$ 2,713,131
Construction in progress	13,840	2,174,111	2,620,629	1,942,172	2,634,469	4,116,283
Buildings	3,699,611	4,184,682	60,567	71,767	3,760,178	4,256,449
Improvements other than buildings	5,965,723	2,587,727	20,371,395	22,361,008	26,337,118	24,948,735
Machinery and equipment	1,272,637	1,264,418	3,936,072	3,916,371	5,208,709	5,180,789
<b>Total</b>	<b>\$ 12,937,390</b>	<b>\$ 11,944,756</b>	<b>\$ 27,967,976</b>	<b>\$ 29,270,631</b>	<b>\$ 40,905,366</b>	<b>\$ 41,215,387</b>

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

### OUTSTANDING DEBT

At the end of the current fiscal year, the City had total debt outstanding of \$10.1 million. All of the City's debt represents loans secured solely by specified revenue sources (i.e., utility revenues and grant funds). 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, 2014 AND 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue notes payable	\$ 946,905	\$ 1,137,099	\$ 3,802,786	\$ 4,104,050	\$ 4,749,691	\$ 5,241,149
Note payable	-	-	307,852	327,485	307,852	327,485
Capital leases	253,333	332,533	-	-	253,333	332,533
State revolving loan	-	-	4,194,806	11,854,075	4,194,806	11,854,075
Compensated absences	407,287	406,582	173,075	181,075	580,362	587,657
<b>Total</b>	<b>\$ 1,607,525</b>	<b>\$ 1,876,214</b>	<b>\$ 8,478,519</b>	<b>\$ 16,466,685</b>	<b>\$ 10,086,044</b>	<b>\$ 18,342,899</b>

The City's total debt decreased \$8.3 million during the 2014 fiscal year, which is primarily attributable to the grant from the Florida Department of Environmental Protection as previously mentioned in the Financial Highlights section of the Management's Discussion and Analysis.

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 is a limited number of state shared revenues and recurring and non-recurring grants from both the State and Federal Governments, which provide funding for specific programs, projects or activities. For the business-type activities and certain governmental activities (permitting and recreational programs) the user pays a related fee or charge associated with the service.

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

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

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 fiscal year 2014-2015 budget for the City:

- The local unemployment rate was 5.5%, which represents an approximate 0.3% decrease from September 2013. The State of Florida's unemployment rate was 6.1%. 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.
- During the 2015 budgeting process, the projected revenues from the Federal and State of Florida Governments for intergovernmental revenues remained consistent with fiscal year 2014 actual appropriations.
- Property tax revenues are anticipated to increase slightly year-over-year by most regional municipalities. For the 2015 fiscal year, the City increased budgeted property tax revenues by approximately 4% from the prior year budget.
- For the 2015 fiscal year, the City budgeted \$463,103 of existing fund balance, which has been included in the assigned classification of the September 30, 2014 fund balance of the General Fund.

## **REQUESTS FOR INFORMATION**

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

**CITY OF MILTON, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,573,797	\$ 5,950,796	\$ 9,524,593
Receivables, net	283,895	929,340	1,213,235
Internal balances	(175,000)	175,000	-
Due from other governments	189,882	31,153	221,035
Inventory	135,428	205,895	341,323
Prepaid items	30,798	-	30,798
Restricted assets			
Cash and cash equivalents	324,684	2,984,198	3,308,882
Capital assets			
Non-depreciable	1,999,419	3,599,942	5,599,361
Depreciable, net	10,937,971	24,368,034	35,306,005
Other assets			
Net pension asset	263,181	-	263,181
<b>TOTAL ASSETS</b>	<b>17,564,055</b>	<b>38,244,358</b>	<b>55,808,413</b>
<b>LIABILITIES</b>			
Accounts payable	91,054	410,377	501,431
Accrued liabilities	246,863	99,210	346,073
Due to other governments	3,071	-	3,071
Unearned revenues	11,641	41,208	52,849
Compensated absences	351,924	155,831	507,755
Note payable	-	20,532	20,532
Revenue notes payable	197,562	311,225	508,787
State revolving loan payable	-	224,935	224,935
Capital lease payable	81,766	-	81,766
Payable from restricted assets			
Customer deposits	-	558,829	558,829
Non-current liabilities			
Compensated absences	55,363	17,244	72,607
Note payable	-	287,320	287,320
Revenue notes payable	749,343	3,491,561	4,240,904
State revolving loan payable	-	3,969,871	3,969,871
Capital lease payable	171,567	-	171,567
<b>TOTAL LIABILITIES</b>	<b>1,960,154</b>	<b>9,588,143</b>	<b>11,548,297</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Business license fees received in advance	98,972	-	98,972
<b>NET POSITION</b>			
Net investment in capital assets	11,737,152	19,662,532	31,399,684
Restricted			
Debt service	-	230,156	230,156
Public safety	10,278	-	10,278
Downtown redevelopment	73,326	-	73,326
Retirement funding	272,892	-	272,892
Capital projects	218,040	2,195,213	2,413,253
Unrestricted	3,193,241	6,568,314	9,761,555
<b>TOTAL NET POSITION</b>	<b>\$ 15,504,929</b>	<b>\$ 28,656,215</b>	<b>\$ 44,161,144</b>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 2,595,048	\$ 845,366	\$ -	\$ 19,210	\$ (1,730,472)	\$ -	\$ (1,730,472)
Public safety	3,823,592	171,926	-	29,785	(3,621,881)	-	(3,621,881)
Transportation	1,017,003	-	-	295,734	(721,269)	-	(721,269)
Economic environment	41,544	-	-	1,108,270	1,066,726	-	1,066,726
Culture and recreation	1,272,808	127,556	-	-	(1,145,252)	-	(1,145,252)
Debt service interest	49,728	-	-	-	(49,728)	-	(49,728)
<b>Total governmental activities</b>	<b>8,799,723</b>	<b>1,144,848</b>	<b>-</b>	<b>1,452,999</b>	<b>(6,201,876)</b>	<b>-</b>	<b>(6,201,876)</b>
Business-type activities							
Natural gas	2,816,764	4,177,929	-	-	-	1,361,165	1,361,165
Water and sewer	4,699,714	5,970,644	-	7,889,131	-	9,160,061	9,160,061
Sanitation	805,916	1,143,574	-	-	-	337,658	337,658
Sundial utilities	393,647	288,193	-	-	-	(105,454)	(105,454)
Non-major proprietary funds	169,337	225,948	-	-	-	56,611	56,611
<b>Total business-type activities</b>	<b>8,885,378</b>	<b>11,806,288</b>	<b>-</b>	<b>7,889,131</b>	<b>-</b>	<b>10,810,041</b>	<b>10,810,041</b>
<b>Total primary government</b>	<b>\$ 17,685,101</b>	<b>\$ 12,951,136</b>	<b>\$ -</b>	<b>\$ 9,342,130</b>	<b>\$ (6,201,876)</b>	<b>\$ 10,810,041</b>	<b>\$ 4,608,165</b>
General revenues							
Taxes							
Property taxes					\$ 924,913	\$ -	\$ 924,913
Sales taxes					277,684	-	277,684
Utility service taxes					1,052,199	-	1,052,199
Municipal revenue sharing					924,858	36,351	961,209
Gain on sale of assets					8,150	-	8,150
Investment earnings					10,157	26,205	36,362
Miscellaneous					155,174	158,509	313,683
Transfers					4,168,333	(4,168,333)	-
<b>Total general revenues and transfers</b>					<b>7,521,468</b>	<b>(3,947,268)</b>	<b>3,574,200</b>
<b>CHANGE IN NET POSITION</b>					<b>1,319,592</b>	<b>6,862,773</b>	<b>8,182,365</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>					<b>14,185,337</b>	<b>21,793,442</b>	<b>35,978,779</b>
<b>NET POSITION AT END OF YEAR</b>					<b>\$ 15,504,929</b>	<b>\$ 28,656,215</b>	<b>\$ 44,161,144</b>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
SEPTEMBER 30, 2014**

	<u>Major Funds</u>		<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects</u>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,214,280	\$ -	\$ 359,517	\$ 3,573,797
Receivables	147,562	135,833	500	283,895
Due from other funds	59	-	-	59
Due from other governments	189,882	-	-	189,882
Inventory	135,428	-	-	135,428
Prepaid items	28,749	-	2,049	30,798
Restricted assets				
Cash and cash equivalents	129,223	88,817	106,644	324,684
<b>TOTAL ASSETS</b>	<u>\$ 3,845,183</u>	<u>\$ 224,650</u>	<u>\$ 468,710</u>	<u>\$ 4,538,543</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 78,832	\$ -	\$ 12,222	\$ 91,054
Accrued liabilities	246,863	-	-	246,863
Due to other funds	-	175,059	-	175,059
Due to other governments	-	-	3,071	3,071
Unearned revenue	-	-	11,641	11,641
<b>TOTAL LIABILITIES</b>	<u>325,695</u>	<u>175,059</u>	<u>26,934</u>	<u>527,688</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Business license fees received in advance	98,972	-	-	98,972
<b>FUND BALANCE</b>				
Nonspendable				
Inventory	135,428	-	-	135,428
Prepaid items	28,749	-	2,049	30,798
Restricted				
Capital projects	129,223	88,817	-	218,040
Public safety	-	-	10,278	10,278
Downtown redevelopment	-	-	73,326	73,326
Assigned	465,764	-	356,123	821,887
Unassigned	2,661,352	(39,226)	-	2,622,126
Total fund balances	<u>3,420,516</u>	<u>49,591</u>	<u>441,776</u>	<u>3,911,883</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 3,845,183</u>	<u>\$ 224,650</u>	<u>\$ 468,710</u>	<u>\$ 4,538,543</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

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Fund balance, total governmental funds (page 19)	\$ 3,911,883
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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	1,999,419	
Governmental depreciable assets	22,268,584	
Less accumulated depreciation	<u>(11,330,613)</u>	
		12,937,390

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

Net pension asset	263,181
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Revenue notes payable	(946,905)	
Capital leases	(253,333)	
Compensated absences	<u>(407,287)</u>	
		<u>(1,607,525)</u>

Net position of governmental activities (page 17)	<u>\$ 15,504,929</u>
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See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
<b>REVENUES</b>				
Taxes	\$ 2,254,796	\$ -	\$ -	\$ 2,254,796
License, fees, and permits	792,752	-	-	792,752
Intergovernmental	931,924	1,404,004	36,050	2,371,978
Charges for services	132,059	-	29,836	161,895
Fines and forfeits	13,883	-	161,604	175,487
Miscellaneous	179,036	14,841	198	194,075
Total revenues	<u>4,304,450</u>	<u>1,418,845</u>	<u>227,688</u>	<u>5,950,983</u>
<b>EXPENDITURES</b>				
Current				
General governmental services	2,061,498	-	-	2,061,498
Public safety	3,465,256	-	166,638	3,631,894
Economic environment	-	-	42,140	42,140
Transportation	998,016	-	-	998,016
Culture and recreation	1,024,834	-	-	1,024,834
Capital outlay				
General governmental services	25,784	-	-	25,784
Public safety	105,499	-	-	105,499
Transportation	20,589	1,494,658	-	1,515,247
Culture and recreation	284,943	42,358	-	327,301
Debt Service				
Principal	-	-	269,394	269,394
Interest	-	-	49,728	49,728
Total expenditures	<u>7,986,419</u>	<u>1,537,016</u>	<u>527,900</u>	<u>10,051,335</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(3,681,969)</u>	<u>(118,171)</u>	<u>(300,212)</u>	<u>(4,100,352)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,122,736	325,014	359,537	4,807,287
Transfers out	(622,255)	-	(16,700)	(638,955)
Total other financing sources (uses)	<u>3,500,481</u>	<u>325,014</u>	<u>342,837</u>	<u>4,168,332</u>
<b>NET CHANGE IN FUND BALANCE</b>	(181,488)	206,843	42,625	67,980
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<u>3,602,004</u>	<u>(157,252)</u>	<u>399,151</u>	<u>3,843,903</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 3,420,516</u>	<u>\$ 49,591</u>	<u>\$ 441,776</u>	<u>\$ 3,911,883</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, 2014**

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Net change in fund balance - governmental funds (page 21)		\$ 67,980
<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	1,973,831	
Less current year depreciation	<u>(981,197)</u>	992,634
<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>		
Principal payments		269,394
<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 asset	(9,711)	
Change in long-term compensated absences	<u>(705)</u>	<u>(10,416)</u>
Change in net position of governmental activities (page 18)		<u><u>\$ 1,319,592</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, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 2,236,565	\$ 2,236,565	\$ 2,254,796	\$ 18,231
Licenses, fees, and permits	718,950	718,950	792,752	73,802
Intergovernmental	826,145	870,245	931,924	61,679
Charges for services	154,300	177,775	132,059	(45,716)
Fines and forfeits	19,200	19,200	13,883	(5,317)
Miscellaneous	112,421	157,143	179,036	21,893
Total revenues	<u>4,067,581</u>	<u>4,179,878</u>	<u>4,304,450</u>	<u>124,572</u>
<b>EXPENDITURES</b>				
Current				
General governmental services	2,267,302	2,254,666	2,061,498	193,168
Public safety	3,606,669	3,595,893	3,465,256	130,637
Transportation	1,097,659	1,079,531	998,016	81,515
Culture and recreation	1,060,835	1,136,729	1,024,834	111,895
Capital outlay				
General governmental services	42,060	32,060	25,784	6,276
Public safety	75,000	126,146	105,499	20,647
Transportation	-	20,589	20,589	-
Culture and recreation	-	302,184	284,943	17,241
Total expenditures	<u>8,149,525</u>	<u>8,547,798</u>	<u>7,986,419</u>	<u>561,379</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(4,081,944)</u>	<u>(4,367,920)</u>	<u>(3,681,969)</u>	<u>685,951</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,093,736	4,122,736	4,122,736	-
Transfers out	(338,694)	(620,934)	(622,255)	(1,321)
Total other financing sources (uses)	<u>3,755,042</u>	<u>3,501,802</u>	<u>3,500,481</u>	<u>(1,321)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(326,902)	(866,118)	(181,488)	684,630
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>326,902</u>	<u>866,118</u>	<u>3,602,004</u>	<u>2,735,886</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,420,516</u>	<u>\$ 3,420,516</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2014**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 1,515,772	\$ 3,966,262	\$ 329,571	\$ 1,303	\$ 137,888	\$ 5,950,796
Receivables, net	159,872	594,288	108,257	22,838	44,085	929,340
Due from other funds	-	175,059	-	-	-	175,059
Due from other governments	-	31,153	-	-	-	31,153
Inventory	205,895	-	-	-	-	205,895
Restricted assets						
Cash and cash equivalents	291,931	2,427,355	-	264,912	-	2,984,198
<b>Total current assets</b>	<b>2,173,470</b>	<b>7,194,117</b>	<b>437,828</b>	<b>289,053</b>	<b>181,973</b>	<b>10,276,441</b>
Capital assets						
Non-depreciable	66,356	2,645,586	-	450,000	438,000	3,599,942
Depreciable, net	707,575	20,996,931	239,938	2,196,562	227,028	24,368,034
<b>Total capital assets</b>	<b>773,931</b>	<b>23,642,517</b>	<b>239,938</b>	<b>2,646,562</b>	<b>665,028</b>	<b>27,967,976</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,947,401</b>	<b>\$ 30,836,634</b>	<b>\$ 677,766</b>	<b>\$ 2,935,615</b>	<b>\$ 847,001</b>	<b>\$ 38,244,417</b>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION – CONTINUED  
 SEPTEMBER 30, 2014**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 212,547	\$ 158,945	\$ 32,054	\$ 2,342	\$ 4,489	\$ 410,377
Due to other funds	-	-	-	-	59	59
Accrued liabilities						
Compensated absences	48,925	88,083	18,823	-	-	155,831
Wages	27,040	61,983	10,187	-	-	99,210
Revenue notes payable	19,903	161,034	-	130,288	-	311,225
Note payable	-	-	-	-	20,532	20,532
State revolving loans payable	-	224,935	-	-	-	224,935
Unearned revenues	-	41,208	-	-	-	41,208
Payable from restricted assets						
Customer deposits	186,655	337,418	-	34,756	-	558,829
Total current liabilities	495,070	1,073,606	61,064	167,386	25,080	1,822,206
Non-current liabilities						
Compensated absences	7,438	7,909	1,897	-	-	17,244
Note payable	-	-	-	-	287,320	287,320
Revenue notes payable	82,507	667,553	-	2,741,501	-	3,491,561
State revolving loans payable	-	3,969,871	-	-	-	3,969,871
Total non-current liabilities	89,945	4,645,333	1,897	2,741,501	287,320	7,765,996
<b>TOTAL LIABILITIES</b>	585,015	5,718,939	62,961	2,908,887	312,400	9,588,202
<b>NET POSITION</b>						
Net investment in capital assets	671,521	18,619,124	239,938	(225,227)	357,176	19,662,532
Restricted						
Debt service	-	-	-	230,156	-	230,156
Capital projects	105,276	2,089,937	-	-	-	2,195,213
Unrestricted	1,585,589	4,408,634	374,867	21,799	177,425	6,568,314
<b>TOTAL NET POSITION</b>	\$ 2,362,386	\$ 25,117,695	\$ 614,805	\$ 26,728	\$ 534,601	\$ 28,656,215

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, 2014**

	<b>Major Funds</b>				<b>Non-Major Proprietary Funds</b>	<b>Total</b>
	<b>Natural Gas Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Sundial Utilities Fund</b>		
<b>OPERATING REVENUES</b>						
Charges for services	\$ 4,177,929	\$ 5,970,644	\$ 1,143,574	\$ 288,193	\$ 225,948	\$ 11,806,288
<b>OPERATING EXPENSES</b>						
Personal services	661,327	1,461,369	329,572	-	-	2,452,268
Operating	1,976,805	1,194,992	454,040	79,905	121,047	3,826,789
Depreciation	172,343	1,865,456	22,304	262,306	33,955	2,356,364
Total operating expenses	2,810,475	4,521,817	805,916	342,211	155,002	8,635,421
<b>OPERATING INCOME (LOSS)</b>	1,367,454	1,448,827	337,658	(54,018)	70,946	3,170,867
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental	-	121,523	-	-	36,351	157,874
Tower leases	-	133,208	-	-	-	133,208
Interest expense	(6,289)	(177,897)	-	(51,436)	(14,332)	(249,954)
Gain (loss) on disposal of capital assets	-	5,087	-	-	-	5,087
Interest income	989	25,187	-	18	13	26,207
Miscellaneous	1,575	9,969	1,580	1,694	10,477	25,295
Total non-operating revenues (expenses)	(3,725)	117,077	1,580	(49,724)	32,509	97,717
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	1,363,729	1,565,904	339,238	(103,742)	103,455	3,268,584
Capital contributions	-	7,762,521	-	-	-	7,762,521
Transfers in	510	7,690	915	-	22,300	31,415
Transfers out	(1,250,852)	(2,469,855)	(359,426)	(10,364)	(109,250)	(4,199,747)
Total transfers and capital contributions	(1,250,342)	5,300,356	(358,511)	(10,364)	(86,950)	3,594,189
<b>CHANGE IN NET POSITION</b>	113,387	6,866,260	(19,273)	(114,106)	16,505	6,862,773
<b>NET POSITION AT BEGINNING OF YEAR</b>	2,248,999	18,251,435	634,078	140,834	518,096	21,793,442
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 2,362,386</u>	<u>\$ 25,117,695</u>	<u>\$ 614,805</u>	<u>\$ 26,728</u>	<u>\$ 534,601</u>	<u>\$ 28,656,215</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Major Funds</b>				<b>Non-Major Proprietary Funds</b>	<b>Total</b>
	<b>Natural Gas Fund</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Sundial Utilities Fund</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 4,214,889	\$ 6,009,037	\$ 1,141,851	\$ 287,875	\$ 219,813	\$ 11,873,465
Payments to suppliers	(1,930,058)	(1,327,507)	(440,810)	(77,409)	(108,995)	(3,884,779)
Payments to employees	(673,373)	(1,467,807)	(329,895)	-	-	(2,471,075)
Tower leases	-	133,208	-	-	-	133,208
Miscellaneous income	1,575	9,969	1,580	1,694	10,477	25,295
Net cash provided by operating activities	<u>1,613,033</u>	<u>3,356,900</u>	<u>372,726</u>	<u>212,160</u>	<u>121,295</u>	<u>5,676,114</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Due from other funds	-	224,941	-	-	-	224,941
Due to other funds	-	-	-	-	59	59
Transfers in	510	7,690	915	-	22,300	31,415
Transfers out	(1,250,852)	(2,469,855)	(359,426)	(10,364)	(109,250)	(4,199,747)
Net cash used in non-capital financing activities	<u>(1,250,342)</u>	<u>(2,237,224)</u>	<u>(358,511)</u>	<u>(10,364)</u>	<u>(86,891)</u>	<u>(3,943,332)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisitions of capital assets	(113,248)	(909,281)	(20,001)	(11,179)	-	(1,053,709)
Capital contributions	-	7,762,521	-	-	-	7,762,521
Intergovernmental revenues	-	121,523	-	-	36,351	157,874
Proceeds from disposal of fixed assets	-	5,087	-	-	-	5,087
Proceeds received from revenue notes payable and note payable	-	875,305	-	-	-	875,305
Principal paid on note payable, revenue notes payable, and state revolving loans	(19,036)	(8,688,591)	-	(128,211)	(19,633)	(8,855,471)
Interest paid on note payable, revenue notes payable, and state revolving loans	(6,289)	(177,897)	-	(51,436)	(14,332)	(249,954)
Net cash provided by (used in) capital and related financing activities	<u>(138,573)</u>	<u>(1,011,333)</u>	<u>(20,001)</u>	<u>(190,826)</u>	<u>2,386</u>	<u>(1,358,347)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest income	989	25,187	-	18	13	26,207
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>225,107</u>	<u>133,530</u>	<u>(5,786)</u>	<u>10,988</u>	<u>36,803</u>	<u>400,642</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,582,596</u>	<u>6,260,087</u>	<u>335,357</u>	<u>255,227</u>	<u>101,085</u>	<u>8,534,352</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,807,703</u>	<u>\$ 6,393,617</u>	<u>\$ 329,571</u>	<u>\$ 266,215</u>	<u>\$ 137,888</u>	<u>\$ 8,934,994</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS - CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF</b>						
Current assets	\$ 1,515,772	\$ 3,966,262	\$ 329,571	\$ 1,303	\$ 137,888	\$ 5,950,796
Restricted assets	291,931	2,427,355	-	264,912	-	2,984,198
Total cash and cash equivalents	<u>\$ 1,807,703</u>	<u>\$ 6,393,617</u>	<u>\$ 329,571</u>	<u>\$ 266,215</u>	<u>\$ 137,888</u>	<u>\$ 8,934,994</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 1,367,454	\$ 1,448,827	\$ 337,658	\$ (54,018)	\$ 70,946	\$ 3,170,867
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	172,343	1,865,456	22,304	262,306	33,955	2,356,364
Tower lease income	-	133,208	-	-	-	133,208
Miscellaneous revenue	1,575	9,969	1,580	1,694	10,477	25,295
Decrease (increase) in assets:						
Accounts receivable	31,100	43,388	(1,723)	(975)	(6,135)	65,655
Due from other governments	-	(31,153)	-	-	-	(31,153)
Inventory	(38,119)	-	-	-	-	(38,119)
Prepaid items	10,441	30,182	6,477	2,820	9,151	59,071
Increase (decrease) in liabilities:						
Accounts payable	74,425	(162,697)	6,753	(324)	2,901	(78,942)
Compensated absences payable	1,810	(14,507)	4,697	-	-	(8,000)
Wages	(13,856)	8,069	(5,020)	-	-	(10,807)
Customer deposits	5,860	27,324	-	657	-	33,841
Unearned revenue	-	(1,166)	-	-	-	(1,166)
Net cash provided by operating activities	<u>\$ 1,613,033</u>	<u>\$ 3,356,900</u>	<u>\$ 372,726</u>	<u>\$ 212,160</u>	<u>\$ 121,295</u>	<u>\$ 5,676,114</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014**

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	<b>Pension Trust Funds</b>	<b>Retired Employees' Insurance Trust Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,179,583	\$ 227,132
Investments, at market	22,123,904	1,313,575
Due from State of Florida	5,515	-
<b>TOTAL ASSETS</b>	<b>\$ 23,309,002</b>	<b>\$ 1,540,707</b>
<b>NET POSITION</b>		
Held in trust for pension and employee retirement benefits	<b>\$ 23,309,002</b>	<b>\$ 1,540,707</b>

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, 2014**

	<u>Pension Trust Funds</u>	<u>Retired Employees' Insurance Trust Fund</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 953,734	\$ 243,306
Plan members	306,982	-
State of Florida	160,082	-
	<hr/>	<hr/>
Total contributions	1,420,798	243,306
Investment income (loss)	2,152,754	108,851
Less investment expense	(244,907)	-
	<hr/>	<hr/>
Net investment income (loss)	1,907,847	108,851
	<hr/>	<hr/>
<b>TOTAL ADDITIONS</b>	<b>3,328,645</b>	<b>352,157</b>
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Benefits and refunds paid		
Retirement payments	1,381,881	20,482
Insurance premiums	-	10,461
	<hr/>	<hr/>
Total benefits and refunds paid	1,381,881	30,943
Administrative expenses - other	797	23,799
	<hr/>	<hr/>
<b>TOTAL DEDUCTIONS</b>	<b>1,382,678</b>	<b>54,742</b>
	<hr/>	<hr/>
<b>NET CHANGE IN NET POSITION</b>	<b>1,945,967</b>	<b>297,415</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>21,363,035</b>	<b>1,243,292</b>
	<hr/>	<hr/>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 23,309,002</b>	<b>\$ 1,540,707</b>
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See notes to the financial statements.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**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 the 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, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – 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, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – 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, 2014
Levy Date	November 1, 2014
Due Date	November 1, 2014
Delinquent Date	April 1, 2015

Discounts of 1% for each month taxes are paid prior to March 2015 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 2014 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, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – 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, the General Fund and the Capital Projects Fund.

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

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, except for those that are financed through proprietary funds.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –  
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 two types of 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 revenues and expenditures of 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, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY – 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. Copies of the plan may be obtained by request from the Board of Trustees of the General, Fire or Police Pension Funds.

**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, 2014**

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

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

**Inventories**

Inventories held by the General Fund are stated at cost and priced by using a moving average. This weighted average method of inventory results in charges against revenue based on an average of the number of units acquired at each price level. The resulting cost price is applied to the ending inventory to determine the total inventory value. 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. The City was in Phase III of the required implementation time of GASB Statement No. 34; accordingly, they were not required to retroactively record infrastructure assets. Therefore, purchases of infrastructure assets subsequent to October 1, 2003, will be reported in the government-wide financial statements. Capital assets are defined by the City as assets with 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

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 paid over the last several years to the total balance of sick leave at the end of each fiscal year. A liability for the amounts of vacation and sick leave is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The policy for accruing such time is as follows:

**Annual Leave**

<b>Years of Employment</b>	<b>Hours Accrued per Month (Firefighters/All Others)</b>
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.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

Compensatory Time

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

Termination Policy

Upon termination of employment, an employee will be paid for accumulated annual leave, sick leave and comp time as indicated by the following schedule:

	<b>Maximum Number of Accumulated Hours to be Paid</b>
Annual leave	200*
Sick leave	40% of hours in excess of 480*
Comp time	Actual

\* 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

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt premiums and discounts are unearned and 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 debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes 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. At this time, the City has no transactions that meet the definition of deferred outflows of resources.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

In addition to liabilities, the statement of financial position will sometimes 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, 2014, the City has fiscal year 2015 business taxes received by the City in advance that qualifies for reporting in this category.

**Governmental Fund Balances**

In accordance with GASBS No. 54, 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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (adoption of another resolution) to remove or revise the limitation.

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

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, it is the City's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in 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.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Governmental Fund Balances – Continued**

**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 February 20, 2015, 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 yearend except for appropriations related to multi-year capital projects.

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

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

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

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. Appropriations lapse at year-end except for appropriations related to multi-year capital projects. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unreserved/undesignated 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.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets – Continued**

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, 2014, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial risk.

**Investments**

As of September 30, 2014, 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. Further, the City's three pension trust funds have also developed investment policies that govern the investment activity of each respective pension fund.

**Pension Plans**

The Pension Board Trustees recognize 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. The Firefighter's Pension Plan has developed an optimum portfolio market value investment allocation at 45% domestic equity securities, 15% international equity securities, and 40% core fixed income securities.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

A brief summary of the Pension Fund's 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 whose investments follow the aforementioned parameters; international stocks, not to exceed 10% of the trust assets at market value; annuity and life insurance contracts of life insurance companies; and bonds issued by the State of Israel.

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

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Pension Trust Fund's policy is that the duration of bond maturities in the fixed income portfolio should not exceed 125% of the duration of the Lehman Brothers Aggregate Bond Index.

As of September 30, 2014, the City had the following investments and maturities:

	Fair Value	INVESTMENT MATURITIES (YEARS)							
		<1	1-5	5-10	10-15	15-20	20-25	25-30	>30
Investments subject to interest rate risk									
Corporate debt U.S. Government CMOs	\$ 7,038,567	\$ 221,275	\$ 3,224,453	\$ 2,884,165	\$ 452,102	\$ 42,411	\$ 32,223	\$ -	\$ 181,938
Non-Government CMOs	574,515	-	272,838	38,183	64,644	19,136	26,565	153,149	-
Municipal U.S. Treasury	213,542	-	1,401	12,400	-	11,589	135,900	5,813	46,439
	206,841	-	-	75,254	-	131,587	-	-	-
	956,623	300,157	656,466	-	-	-	-	-	-
	<u>\$ 8,990,088</u>	<u>\$ 521,432</u>	<u>\$ 4,155,158</u>	<u>\$ 3,010,002</u>	<u>\$ 516,746</u>	<u>\$ 204,723</u>	<u>\$ 194,688</u>	<u>\$ 158,962</u>	<u>\$ 228,377</u>
Investments not subject to interest rate risk									
Equity securities	14,447,391								
Total	<u>\$ 23,437,479</u>								

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**3. DEPOSITS AND INVESTMENTS – CONTINUED**

**Investments – Continued**

Credit Rate Risk - The structure of the pension portfolios is designed to minimize credit risk. The Firefighter's Pension investment policy limits investments in bonds and other evidences of indebtedness to those for which the issuer has a Standard and Poor's rating of AAA, AA, A or Moody's rating of Aaa, Aa or A. The General Employee's Pension Fund and the Police Officer's Pension Fund limit investments in bonds and other evidences of indebtedness to those for which the issuer has a Standard and Poor's rating of AAA, AA, A, BBB or Moody's rating of Aaa, Aa, A, Baa. Of the debt securities held by the Firefighter's Pension Trust Fund, there were 58 issues that were graded below the minimum grade of A by Standard and Poor's rating service as of September 30, 2014.

Concentration Credit Risk - To limit the City's risk against possible credit losses, each of the three Pension Funds' 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. The Firefighter's Pension Fund was the only fund that held any single corporate debt issues. The largest corporate debt issue held by the Firefighter's Pension Fund represented roughly 2% of the market value of the total fixed income portfolio as of September 30, 2014.

**4. RECEIVABLES**

Receivables at September 30, 2014, were as follows:

	Governmental Activities			Business-Type Activities					Total
	General	Capital Projects	Non-Major	Natural Gas	Water and Sewer	Sanitation	Sundial Utilities	Non-Major	
Utility taxes and franchise fees	\$136,288	\$135,833	\$ -	\$ 884	\$ -	\$ -	\$ -	\$ -	\$ 273,005
Accounts, less allowance for doubtful accounts	11,274	-	-	158,988	594,288	108,257	22,838	44,085	939,730
Other	-	-	500	-	-	-	-	-	500
	<u>\$147,562</u>	<u>\$135,833</u>	<u>\$ 500</u>	<u>\$159,872</u>	<u>\$594,288</u>	<u>\$108,257</u>	<u>\$22,838</u>	<u>\$44,085</u>	<u>\$1,213,235</u>

As of September 30, 2014, 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, 2014, are \$221,035. The receivables consist primarily of amounts due from the State of Florida relating to intergovernmental revenues.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**5. CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,733,818	\$ 251,761	\$ -	\$ 1,985,579
Construction in progress	2,174,111	1,537,017	(3,697,288)	13,840
Total capital assets not being depreciated	<u>3,907,929</u>	<u>1,788,778</u>	<u>(3,697,288)</u>	<u>1,999,419</u>
Capital assets being depreciated				
Buildings	9,737,164	-	-	9,737,164
Improvements other than buildings	4,103,866	-	3,697,288	7,801,154
Machinery and equipment	4,586,242	185,053	(41,029)	4,730,266
Total capital assets being depreciated	<u>18,427,272</u>	<u>185,053</u>	<u>3,656,259</u>	<u>22,268,584</u>
Less accumulated depreciation				
Buildings	(5,552,482)	(485,071)	-	(6,037,553)
Improvements other than buildings	(1,516,139)	(319,292)	-	(1,835,431)
Machinery and equipment	(3,321,824)	(176,834)	41,029	(3,457,629)
Total accumulated depreciation	<u>(10,390,445)</u>	<u>(981,197)</u>	<u>41,029</u>	<u>(11,330,613)</u>
Total capital assets being depreciated, net	<u>8,036,827</u>	<u>(796,144)</u>	<u>3,697,288</u>	<u>10,937,971</u>
<b>Governmental activities, net</b>	<u>\$ 11,944,756</u>	<u>\$ 992,634</u>	<u>\$ -</u>	<u>\$ 12,937,390</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 979,313	\$ -	\$ -	\$ 979,313
Construction in progress	1,942,172	862,791	(184,334)	2,620,629
Total capital assets not being depreciated	<u>2,921,485</u>	<u>862,791</u>	<u>(184,334)</u>	<u>3,599,942</u>
Capital assets being depreciated				
Buildings	86,000	-	-	86,000
Improvements other than buildings	44,383,847	45,876	184,334	44,614,057
Machinery and equipment	6,199,759	145,042	(12,999)	6,331,802
Total capital assets being depreciated	<u>50,669,606</u>	<u>190,918</u>	<u>171,335</u>	<u>51,031,859</u>
Less accumulated depreciation				
Buildings	(14,233)	(11,200)	-	(25,433)
Improvements other than buildings	(22,022,839)	(2,219,823)	-	(24,242,662)
Machinery and equipment	(2,283,388)	(125,341)	12,999	(2,395,730)
Total accumulated depreciation	<u>(24,320,460)</u>	<u>(2,356,364)</u>	<u>12,999</u>	<u>(26,663,825)</u>
Total capital assets being depreciated, net	<u>26,349,146</u>	<u>(2,165,446)</u>	<u>184,334</u>	<u>24,368,034</u>
<b>Business-type activities, net</b>	<u>\$ 29,270,631</u>	<u>\$ (1,302,655)</u>	<u>\$ -</u>	<u>\$ 27,967,976</u>

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**5. CHANGES IN CAPITAL ASSETS – CONTINUED**

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

**Governmental activities**

General government	\$ 522,716
Public safety	191,520
Transportation	18,987
Culture and recreation	247,974
	<u>247,974</u>

Total depreciation expense - governmental activities	\$ 981,197
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**Business-type activities**

Natural gas	\$ 172,343
Water and sewer	1,865,456
Sanitation	22,304
Sundial utilities	262,306
Non-major	33,955
	<u>33,955</u>

Total depreciation expense - business-type activities	\$ 2,356,364
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Construction Commitments

The City has active construction projects as of September 30, 2014:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Projects		
Governmental Activities		
Canal Street	\$ 13,840	\$ -
Business-Type Activities		
East Milton Wastewater Treatment Plant Engineering	1,352,407	24,630
Ward Basin Force Main Project	1,205,184	118,577
Hamilton Bridge (Gas Main Upgrade)	21,466	18,534
SR87 Gas Line to I-10 Industrial Park	39,315	10,685
Locklin Vo-Tech Lift Station	2,257	69,415
Compressed Natural Gas Upgrade Project	-	85,280
	<u>\$ 2,634,469</u>	<u>\$ 327,121</u>

**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. Each plan's assets may be used only for the payment of benefits to members of that plan. A summary of significant accounting policies of the Pension Trust Funds can be found at Note 1.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**Basis of Accounting and Method Used to Value Investments**

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Administrative costs are financed from each respective fund's investment earnings.

Information on each of the three plans follows:

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

*Plan Administration*

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.

*Plan Membership as of October 1, 2013*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	39
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	6
Active Plan Members	<u>59</u>
	<u><u>104</u></u>

*Benefits Provided*

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

**CITY OF MILTON, FLORIDA  
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**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

**Plan Description-General Employees' Retirement Plan (GERP) - Continued**

*Funding Policy and Contributions*

The City Council adopted a funding policy as provided in Chapter 112, Florida Statutes that provides for annual employer contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to pay current costs of benefits earned by plan members during the year with an additional amount to finance the unfunded liability over a closed 24 year period (as of 10/1/2013). The contribution is determined using the entry age normal level percent of pay cost method. The contribution to the Plan for FY2014 was \$431,650 by the City computed through an actuarial valuation performed as of October 1, 2013 and represented 19.7% of covered payroll. Members contributed \$212,636 a rate of 10% of annual pay.

*Investment Policy:*

The following was the General Board's adopted asset allocation policy as of September 30, 2013:

<b>Asset Class</b>	<b>Target Allocation</b>
Cash or Cash Equivalents	0.50%
Domestic Bonds	42.50%
Domestic Equity	47.00%
International Equity	10.00%
Total	100.00%

*Investment Concentrations:*

The GERP did not hold investments in any one organization that represent 5 percent or more of the GERP's fiduciary net position.

*Investment Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.19 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deferred Retirement Option Program*

In order to be eligible for the Deferred Retirement Option Program (DROP), a member must satisfy normal retirement requirements. Participation in the DROP must not exceed 60 months. The rate of return is at the member's election, either a) 6.5% annual interest compounded monthly or b) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter. A member may change election once during the DROP period. The DROP balance as of September 30, 2014, is \$668,972.

**CITY OF MILTON, FLORIDA  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Plan Description-General Employees' Retirement Plan (GERP) - Continued**

*Net Pension Liability of the Sponsor*

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 14,089,084
Plan Fiduciary Net Position	<u>(12,435,482)</u>
Sponsor's Net Pension Liability	<u>\$ 1,653,602</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.26%

*Net Pension Liability of the Sponsor - Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	5.50%
Investment Rate of Return	8.00%

Mortality rates were based on the RP 2000 Combined Healthy (sex distinct) Mortality Tables, projected to valuation year using scale AA. Disabled lives are set forward 5 years.

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Rate of Return</u>
Cash or Cash Equivalents	0.00%
Domestic Bonds	3.00%
Domestic Equity	8.25%
International Equity	8.25%

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

**Plan Description-General Employees’ Retirement Plan (GERP) - Continued**

*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.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 3,053,790	\$ 1,653,602	\$ 461,564

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

*Plan Administration*

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.

*Plan Membership as of October 1, 2013*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	10
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	2
Active Plan Members	16
	28

*Benefits Provided*

The plan provides retirement, termination, disability and death benefits. A member may retire at age 50 with 10 years of credited service (early retirement), at age 55 with 10 years of credited service (normal retirement) or the completion of 20 years of credited service, regardless of age. 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.

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

**Plan Description-Police Officers’ Retirement Plan (PORP) - Continued**

*Funding Policy and Contributions*

The City Council adopted a funding policy as provided in Chapter 112, Florida Statutes that provides for annual employer contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to pay current costs of benefits earned by plan members during the year with an additional amount to finance the unfunded liability over a closed 24 year period (as of 10/1/2013). The contribution is determined using the entry age normal level percentage of pay actuarial cost method. The contribution to the Plan for FY2013 was \$185,276 by the City and \$82,512 by the State of Florida computed through an actuarial valuation performed as of October 1, 2013 and represented 32.7% of covered payroll. Members contributed \$48,250, a rate of 6% of annual pay.

*Investment Policy:*

The following was the Police Board's adopted asset allocation policy as of September 30, 2013:

<b>Asset Class</b>	<b>Target Allocation</b>
Domestic Equity	45.00%
International Equity	10.00%
Domestic Bonds	45.00%
Total	100.00%

***Investment Concentrations***

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

***Investment Rate of Return***

For the year ended September 30, 2013, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 12.54 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Deferred Retirement Option Program***

In order to be eligible for the Deferred Retirement Option Program (DROP), a member must satisfy normal retirement requirements. Participation in the DROP must not exceed 60 months. The rate of return is at the member’s election, either a) 6.5% annual interest compounded monthly or b) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter. The DROP balance as of September 30, 2013, is \$29,906.

***Net Pension Liability of the Sponsor***

Total Pension Liability	\$ 5,962,505
Plan Fiduciary Net Position	(6,284,153)
Sponsor's Net Pension Liability	\$ (321,648)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.39%

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NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

**Plan Description-Police Officers’ Retirement Plan (PORP) - Continued**

*Net Pension Liability of the Sponsor - Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	7.50%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Table with no projection, set forward 5 years for Disability Retirees. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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, 2013 are summarized in the following table:

<b>Asset Class</b>	<b>Long Term Expected Rate of Return</b>
Domestic Equity	8.25%
International Equity	8.25%
Domestic Bonds	3.00%

*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.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 341,483	\$ (321,648)	\$ (882,275)

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

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

*Plan Administration*

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, 2013*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	14
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	0
Active Plan Members	14
	95

*Benefits Provided*

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

*Funding Policy and Contributions*

The City Council adopted a funding policy as provided in Chapter 112, Florida Statutes that provides for annual employer contributions based upon an annual actuarial valuation. The actuarially determined rate is the estimated amount necessary to pay current costs of benefits earned by plan members during the year with an additional amount to finance the unfunded liability over a closed 28 year period (as of 10/1/2013). The contribution is determined using the entry age normal level percentage of pay actuarial cost method. The contribution to the Plan for FY2013 was \$188,126 by the City and \$92,339 by the State of Florida computed through an actuarial valuation performed as of October 1, 2013 and represented 41.5% of covered payroll. Members contributed \$41,551, a rate of 6% of annual pay.

**CITY OF MILTON, FLORIDA  
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**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

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

*Investment Policy*

The following was the Fire Board's adopted asset allocation policy as of September 30, 2013:

<b>Asset Class</b>	<b>Target Allocation</b>
Domestic Equity	45.00%
International Equity	15.00%
Domestic Bonds	40.00%
	100.00%

*Investment Concentrations*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

*Investments Rate of Return*

For the year ended September 30, 2013 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 7.54 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Deferred Retirement Option Program*

In order to be eligible for the Deferred Retirement Option Program (DROP), a member must satisfy normal retirement requirements. Participation in the DROP must not exceed 60 months. The rate of return is at the member's election, either a) 6.5% annual interest compounded monthly or b) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter. The DROP balance as of September 30, 2013, is \$172,666.

*Net Pension Liability of the Sponsor*

The components of the net pension liability of the sponsor on September 30, 2013 were as follows:

Total Pension Liability	\$ 7,095,774
Plan Fiduciary Net Position	<u>(3,549,423)</u>
Sponsor's Net Pension Liability	<u>\$ 3,546,351</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.02%

*Net Pension Liability of the Sponsor - Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	6.00%
Investment Rate of Return	7.75%

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

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

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

Mortality rates were based on the RP-2000 Table with no projection, set forward 5 years for Disability Retirees. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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, 2013 are summarized in the following table:

<b>Asset Class</b>	<b>Long Term Expected Rate of Return</b>
Domestic Equity	8.25%
International Equity	8.25%
Domestic Bonds	3.00%

*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.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 4,371,775	\$ 3,546,351	\$ 2,855,042

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

**Development of Net Pension Asset**

The components of net pension cost, the increase in Net Pension Asset, and the Net Pension Asset for the year ended September 30, 2013, most recent actuarial date, for the General Employees', Police Officers' and Firefighters' Retirement Plans are as follows:

	<b>General Employees'</b>	<b>Police Officers'</b>	<b>Firefighters'</b>	<b>Total</b>
Actuarially determined contribution	\$ 431,650	\$ 267,788	\$ 279,992	\$ 979,430
Interest on net pension asset	(17,713)	(812)	(3,202)	(21,727)
Adjustment to actuarially determined pension cost	27,854	1,246	2,338	31,438
Annual pension cost	441,791	268,222	279,128	989,141
Contribution made	431,650	267,788	279,992	979,430
Change in net pension asset	(10,141)	(434)	864	(9,711)
Net pension asset - beginning of year	221,416	10,156	41,320	272,892
Net pension asset - end of year	<u>\$ 211,275</u>	<u>\$ 9,722</u>	<u>\$ 42,184</u>	<u>\$ 263,181</u>

**Required Supplementary Information**

The schedule of funding progress and schedule of employer contributions can be found in the supplementary information of this comprehensive annual financial report.

**Fund Financial Statements**

The following are the financial statements for the individual pension trust funds (GERP, PORP, FRP) for the year ended September 30, 2014.

<b>COMBINING STATEMENT OF PLAN NET POSITION</b>				
	<b>Employee Retirement Funds</b>			
	General Employees' Retirement Plan	Police Officers' Retirement Plan	Firefighters' Retirement Plan	Total Employee Retirement Plans
<b>ASSETS</b>				
Cash and cash equivalents	\$ 234,600	\$ 551,074	\$ 393,909	\$ 1,179,583
Investments, at market	12,209,357	6,294,930	3,619,617	22,123,904
Due from State of Florida	-	-	5,515	5,515
<b>TOTAL ASSETS</b>	<u>12,443,957</u>	<u>6,846,004</u>	<u>4,019,041</u>	<u>23,309,002</u>
<b>FIDUCIARY NET POSITION</b>	<u>\$ 12,443,957</u>	<u>\$ 6,846,004</u>	<u>\$ 4,019,041</u>	<u>\$ 23,309,002</u>

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

**Fund Financial Statements - Continued**

	<u>General Employees' Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Total Employee Pension Funds</u>
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 517,872	\$ 167,280	\$ 268,582	\$ 953,734
Plan members	217,502	45,497	43,983	306,982
State of Florida	-	79,290	80,792	160,082
Total contributions	<u>735,374</u>	<u>292,067</u>	<u>393,357</u>	<u>1,420,798</u>
Investment income (loss)	1,105,493	569,893	477,368	2,152,754
Less investment expense	<u>(106,324)</u>	<u>(85,891)</u>	<u>(52,692)</u>	<u>(244,907)</u>
Net investment income (loss)	<u>999,169</u>	<u>484,002</u>	<u>424,676</u>	<u>1,907,847</u>
<b>TOTAL ADDITIONS</b>	<u>1,734,543</u>	<u>776,069</u>	<u>818,033</u>	<u>3,328,645</u>
<b>DEDUCTIONS</b>				
Benefits and refunds paid				
Retirement payments	<u>812,553</u>	<u>204,802</u>	<u>365,323</u>	<u>1,382,678</u>
<b>NET CHANGE IN NET POSITION</b>	921,990	571,267	452,710	1,945,967
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>11,521,967</u>	<u>6,274,737</u>	<u>3,566,331</u>	<u>21,363,035</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 12,443,957</u>	<u>\$ 6,846,004</u>	<u>\$ 4,019,041</u>	<u>\$ 23,309,002</u>

**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.

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

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 \$645,333 at September 30, 2014. Contributions and distributions made during the fiscal year ended September 30, 2014, were \$76,801 and \$72,937, respectively. The Plan had net earnings of \$35,475.

**8. RISK MANAGEMENT**

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

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

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

**9. LONG – TERM DEBT**

**Changes in Long – Term Debt Liabilities**

The following is a summary of changes in long-term debt liabilities of the City for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Revenues note payable	\$ 1,137,099	\$ -	\$ (190,194)	\$ 946,905	\$ 197,562
Capital leases	332,533	-	(79,200)	253,333	81,766
Compensated absences	406,582	430,453	(429,748)	407,287	351,924
<b>Total governmental activities</b>	<u>\$ 1,876,214</u>	<u>\$ 430,453</u>	<u>\$ (699,142)</u>	<u>\$ 1,607,525</u>	<u>\$ 631,252</u>
<b>Business-type activities</b>					
Note payable	\$ 327,485	\$ -	\$ (19,633)	\$ 307,852	\$ 20,532
Revenue notes payable	4,104,050	-	(301,264)	3,802,786	311,225
State revolving loans payable	11,854,075	875,305	(8,534,574)	4,194,806	224,935
Compensated absences	181,075	182,950	(190,950)	173,075	155,831
<b>Total business-type activities</b>	<u>\$ 16,466,685</u>	<u>\$ 1,058,255</u>	<u>\$ (9,046,421)</u>	<u>\$ 8,478,519</u>	<u>\$ 712,523</u>

**CITY OF MILTON, FLORIDA  
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**9. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding**

	<b>Current</b>	<b>Long-Term</b>	<b>Total</b>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b><i>Revenue Note Payable</i></b>			
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.	\$ 197,562	\$ 749,343	\$ 946,905
<b><i>Capital Lease</i></b>			
Lease/purchase agreement bearing interest of 3.24% per annum. Principal and interest payments of \$89,974 will be made on an annual basis until November 30, 2016. The lease is collateralized by a fire truck, which has been recorded in the general fixed asset account group at a cost of \$409,248.	81,766	171,567	253,333
<b><i>Accrued Compensated Absences</i></b>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	351,924	55,363	407,287
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 631,252</b>	<b>\$ 976,273</b>	<b>\$ 1,607,525</b>
 <b>BUSINESS-TYPE ACTIVITIES</b>			
<b><i>Revenue Notes Payable</i></b>			
<b><u>Water and Sewer</u></b>			
Utilities refunding revenue note payable (89%) incurred for the acquisition and construction of capital improvements in the Water and Sewer Fund, bearing interest at 3.18%. Principal and interest payments are made quarterly, until maturity on June 15, 2019. The note is secured by water and sewer revenues.	\$ 161,034	\$ 667,553	\$ 828,587
<b><u>Natural Gas</u></b>			
Utilities refunding revenue note payable (11%) incurred for the acquisition and construction of capital improvements in the Natural Gas Fund, bearing interest at 3.18%. Principal and interest payments are made quarterly, until maturity on June 15, 2019. The note is secured by natural gas revenues.	19,903	82,507	102,410

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

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

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>BUSINESS-TYPE ACTIVITIES - CONTINUED</b>			
<b><i>Revenue Notes Payable - Continued</i></b>			
<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.	130,288	2,741,501	2,871,789
Total revenue notes payable	<u>311,225</u>	<u>3,491,561</u>	<u>3,802,786</u>
<b><i>State Revolving Loans Payable</i></b>			
<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 September 15, 2027. Total approved loan is for \$15,380,154 for the purpose of improvements to the City's wastewater collection and treatment facilities.	115,524	1,552,940	1,668,464
State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.58%; semi annual payments, including capitalized interest, beginning January 15, 2015, maturing July 15, 2034. Total approved loan is for \$1,995,764, of which \$1,326,855 is outstanding at September 30, 2014.	52,336	1,274,519	1,326,855
State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.09%, semi annual payments, including capitalized interest, beginning March 15, 2015, maturing September 15, 2034. Total approved loan is for \$1,307,961, of which \$1,199,487 is outstanding at September 30, 2014.	57,075	1,142,412	1,199,487
Total state revolving loans payable	<u>224,935</u>	<u>3,969,871</u>	<u>4,194,806</u>
<b><i>Note payable</i></b>			
<u>Marina</u>			
Note payable incurred for the acquisition of the Marina, bearing interest at 4.5%. Principal and interest payments of \$2,830 are made monthly, until maturity on May 25, 2016, when a balloon payment of \$275,941 is required. The note is secured by the Marina land and building.	20,532	287,320	307,852

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**9. LONG – TERM DEBT – CONTINUED**

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

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b>BUSINESS-TYPE ACTIVITIES - CONTINUED</b>			
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Proprietary Funds	155,831	17,244	173,075
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 712,523</u>	<u>\$ 7,765,996</u>	<u>\$ 8,478,519</u>
<b>GRAND TOTAL LONG-TERM DEBT</b>			<u>\$ 10,086,044</u>

**Annual Requirements to Amortize Debt Outstanding**

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2014, are as follows:

<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>
2015	\$ 197,562	\$ 31,216	\$ 81,766	\$ 8,208
2016	204,887	24,061	84,416	5,559
2017	212,301	16,647	87,151	2,824
2018	219,984	8,964	-	-
2019	112,171	1,510	-	-
Total	<u>\$ 946,905</u>	<u>\$ 82,398</u>	<u>\$ 253,333</u>	<u>\$ 16,591</u>

**Business-Type Activities**

<u>Year Ending September 30</u>	<u>Note Payable</u>		<u>State Revolving Loans</u>		<u>Revenue Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 20,532	\$ 13,433	\$ 224,935	\$ 99,337	\$ 311,225	\$ 74,064
2016	287,320	8,434	221,307	94,097	321,576	66,087
2017	-	-	226,675	88,729	332,343	57,808
2018	-	-	232,174	83,230	343,534	49,215
2019	-	-	237,806	77,598	295,212	40,334
2020-2024	-	-	1,278,451	298,569	729,192	154,864
2025-2029	-	-	1,042,014	145,350	790,201	93,855
2030-2034	-	-	731,444	48,351	679,503	27,741
Total	<u>\$ 307,852</u>	<u>\$ 21,867</u>	<u>\$ 4,194,806</u>	<u>\$ 935,261</u>	<u>\$ 3,802,786</u>	<u>\$ 563,968</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% (a total of 1.75% at September 30, 2014). 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, 2014.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**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 2015-2017. The rental income for the fiscal year ending September 30, 2014, was \$133,208.

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

2015	\$	121,807
2016		86,317
2017		10,721
<b>Total</b>	<b>\$</b>	<b>218,845</b>

**12. CAPITAL CONTRIBUTIONS**

For the year ended September 30, 2014, the Water and Sewer Fund had \$7,762,521 of capital contributions, which included approximately \$246,000 of impact fees, \$7,517,000 in capital grants related to the wastewater treatment plant and the expansion of service to the prison, and \$127,000 in other grant related revenues.

**13. INTERFUND BALANCES**

The composition of interfund balances as of September 30, 2014, is as follows:

Transfers Out	Transfers In							Total
	Governmental Activities			Business-Type Activities				
	General	Capital Projects	Non-Major	Natural Gas	Water and Sewer	Sanitation	Non-Major	
General	\$ -	\$271,639	\$338,265	\$ 510	\$ 326	\$ 915	\$ 10,600	\$ 622,255
Non-Major Governmental	5,000		-				11,700	16,700
Natural Gas	1,250,852			-				1,250,852
Water and Sewer	2,448,583		21,272		-			2,469,855
Sanitation	359,426					-		359,426
Sundial Utilities	3,000				7,364			10,364
Non-Major Proprietary	55,875	53,375					-	109,250
	<b>\$4,122,736</b>	<b>\$325,014</b>	<b>\$359,537</b>	<b>\$ 510</b>	<b>\$ 7,690</b>	<b>\$ 915</b>	<b>\$ 22,300</b>	<b>\$4,838,702</b>

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

\$175,059 is due from the Capital Projects Fund to the Water and Sewer Fund for payments made on behalf of the Capital Projects Fund for grant related expenditures which are expected to be paid back once reimbursement is received.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**14. POST-EMPLOYEE HEALTHCARE BENEFITS**

The City follows Governmental Accounting Standards Board Statement (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 following information is based on the most recent actuarial valuation as of September 30, 2012.

**Plan Description**

The City provides limited healthcare benefits for retired municipal employees under a single-employer plan: City of Milton Retired Employees Medical Insurance Fund Plan, as administered by the City. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. For retired employees, the City pays \$1 per year of credited service towards their monthly premiums. For employees hired subsequent to November 8, 2011, the City no longer provides the \$1 contribution towards the premiums; employees hired prior to that date will continue to receive the contribution. The City is also paying 100% of the monthly premiums for eight past employees who had retired under different guidelines. Once an employee is eligible for Medicare, they are required to switch to Medicare. City ordinance assigns the authority to establish and amend benefit provisions to the City. The City of Milton's Retired Employees Medical Insurance Fund Plan does not issue a stand-alone financial report.

**Funding Policy**

The City is financing the post employee benefits on a "pay-as-you-go" basis. The City has 14 retirees receiving health care benefits. Annual required contributions amounted to \$253,516 for the current fiscal year, towards which the City made implied and actual contributions of \$240,285. The City has a net OPEB liability of \$143,906, which has not been recorded in the accompanying financial statements due to its immaterial nature.

**Membership**

Membership consisted of:

Retirees currently receiving benefits	14
Retired employees entitled to benefits but not receiving them	130
Total	144
Participating employers	1

**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.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**14. POST-EMPLOYEE HEALTHCARE BENEFITS- CONTINUED**

**Annual OPEB Cost and Net OPEB Asset - Continued**

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:

	<u>9/30/2012</u>	<u>9/30/2013</u>
Annual required contributions	\$ 203,436	\$ 253,516
Interest on net OPEB obligation	7,899	10,196
Adjustment to annual required contribution	<u>(5,396)</u>	<u>(6,965)</u>
Annual OPEB cost (expense) total	205,939	256,747
Employer contributions	<u>(177,236)</u>	<u>(240,285)</u>
Increase in net OPEB obligation	28,703	16,462
Net OPEB obligation at beginning of year	<u>98,741</u>	<u>127,444</u>
Net OPEB obligation at end of year	<u>\$ 127,444</u>	<u>\$ 143,906</u>

**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</u>
September 30, 2013	\$ 256,747	94%	\$ 143,906
September 30, 2012	205,939	86%	127,444
September 30, 2011	205,004	83%	98,741

**Funded Status and Funding Progress**

As of September 30, 2012, the unfunded actuarial accrued liability for benefits was \$2,054,749. The covered payroll (annual payroll of active employees covered by the plan) was \$5,174,262, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 39.7%.

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.

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**14. POST-EMPLOYEE HEALTHCARE BENEFITS- CONTINUED**

**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 an 8% investment rate of return and an annual healthcare costs trend rate of 9% initially, reduced by decrements to an ultimate rate of 4.5% 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. The remaining amortization period at September 30, 2014, is 26 years.

**15. GOVERNMENTAL FUND BALANCES**

As of September 30, 2014, governmental fund balances consisted of the following:

	<b>9/30/2014</b>
<b>Nonspendable fund balances</b>	
Inventory	\$ 135,428
Prepaid items	30,798
	\$ 166,226
 <b>Restricted fund balances</b>	
Capital projects	\$ 218,040
Public safety	10,278
Downtown redevelopment	73,326
	\$ 301,644
 <b>Assigned fund balances</b>	\$ 821,887
 <b>Unassigned fund balances</b>	\$ 2,622,126

**CITY OF MILTON, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**16. 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.

**17. SUBSEQUENT EVENT**

**New GASB Pronouncements**

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment to Statement No. 27. This Statement enhances the financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The general employees', police officers', and firefighters' plans as of October 1, 2012 was funded at 75.80%, 97.65% and 46.55%, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll
<b>General Employees' Retirement Plan</b>						
October 1, 2013	\$ 10,968,108	\$ 13,641,649	\$ 2,673,541	80.40%	\$ 2,194,960	121.80%
October 1, 2012	10,046,196	13,254,338	3,208,142	75.80%	2,174,539	147.53%
October 1, 2011	9,165,287	12,223,126	3,057,839	74.98%	2,212,864	138.18%
October 1, 2010	9,373,310	12,150,571	2,777,261	77.14%	2,310,954	120.18%
October 1, 2009	9,176,280	11,526,540	2,350,260	79.61%	2,470,351	95.14%
October 1, 2008	8,953,753	10,721,884	1,768,131	83.51%	2,489,102	71.03%
October 1, 2007	8,836,690	10,010,193	1,173,503	88.28%	2,243,608	52.30%
October 1, 2006	8,131,721	9,489,446	1,357,725	85.69%	2,265,681	59.93%
October 1, 2005	7,580,787	9,280,939	1,700,152	81.68%	2,277,522	74.65%
<b>Police Officers' Retirement Plan</b>						
October 1, 2013	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
October 1, 2012	\$ 5,463,834	\$ 5,595,594	\$ 131,760	97.65%	\$ 760,984	17.31%
October 1, 2011	5,036,276	5,352,791	316,515	94.09%	853,431	37.09%
October 1, 2010	4,989,119	5,103,861	114,742	97.75%	836,238	13.72%
October 1, 2009	4,818,940	4,816,918	(2,022)	100.04%	789,029	-0.26%
October 1, 2008	4,770,776	4,501,440	(269,336)	105.98%	750,271	-35.90%
October 1, 2007	4,652,328	4,024,381	(627,947)	115.60%	726,635	-86.42%
October 1, 2006	4,290,349	3,797,852	(492,497)	112.97%	734,834	-67.02%
October 1, 2005	4,027,221	3,931,536	(95,685)	102.43%	709,565	-13.49%
<b>Firefighters' Retirement Plan</b>						
October 1, 2013	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
October 1, 2012	\$ 3,320,564	\$ 7,133,421	\$ 3,812,857	46.55%	\$ 657,941	579.51%
October 1, 2011	3,211,819	6,630,352	3,418,533	48.44%	655,402	521.59%
October 1, 2010	3,359,575	6,105,598	2,746,023	55.02%	739,015	371.58%
October 1, 2009	3,418,023	5,949,244	2,531,221	57.45%	728,150	347.62%
October 1, 2008	3,597,423	5,651,832	2,054,409	63.65%	654,729	313.78%
October 1, 2007	4,385,262	5,097,081	711,819	86.03%	596,472	119.34%
October 1, 2006	4,280,171	4,834,251	554,080	88.54%	539,174	102.76%
October 1, 2005	4,013,529	4,378,923	365,394	91.66%	642,109	56.91%
<b>Retired Employees' Insurance Plan</b>						
October 1, 2013	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
October 1, 2012	\$ 649,225	\$ 2,240,745	\$ 1,591,520	28.97%	\$ 5,174,262	30.76%
October 1, 2011	579,545	2,161,540	1,581,995	26.81%	4,172,179	37.92%
October 1, 2010	501,150	2,000,539	1,499,389	25.05%	4,649,815	32.25%
October 1, 2009	453,637	1,546,993	1,093,356	29.32%	4,255,604	25.69%
October 1, 2008	387,595	1,480,720	1,093,125	26.18%	4,065,821	26.89%

Note: The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation can be found in Note 6 to the financial statements.

**CITY OF MILTON, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS FROM THE  
EMPLOYER AND OTHER CONTRIBUTING ENTITIES – UNAUDITED**

**General Employees' Retirement Plan**

	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>Percentage Contributed</b>
September 30, 2013	\$ 431,650	\$ 431,650	100.00%
September 30, 2012	350,068	350,068	100.00%
September 30, 2011	263,193	263,193	100.00%
September 30, 2010	212,522	212,522	100.00%
September 30, 2009	146,590	182,014	124.17%
September 30, 2008	150,416	157,672	104.82%
September 30, 2007	176,965	176,965	100.00%
September 30, 2006	147,299	159,446	108.25%
September 30, 2005	175,536	175,536	100.00%
September 30, 2004*	132,569	155,993	117.67%

**Police Officers' Retirement Plan**

	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contributed</b>
September 30, 2013	Unavailable	Unavailable	Unavailable	Unavailable
September 30, 2012	\$ 247,022	\$ 165,823	\$ 81,199	100.00%
September 30, 2011	228,650	141,353	87,297	100.00%
September 30, 2010	190,324	112,105	78,219	100.00%
September 30, 2009	114,610	27,799	86,811	100.00%
September 30, 2008	127,653	31,155	99,815	102.60%
September 30, 2007	149,671	49,856	99,815	100.00%
September 30, 2006	118,430	18,615	99,815	100.00%
September 30, 2005	149,094	49,279	99,815	100.00%
September 30, 2004	97,446	-	99,815	102.43%

**Firefighters' Retirement Plan**

	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contributed</b>
September 30, 2013	Unavailable	Unavailable	Unavailable	Unavailable
September 30, 2012	\$ 214,366	\$ 154,000	\$ 60,366	100.00%
September 30, 2011	203,499	147,237	56,262	100.00%
September 30, 2010	203,450	142,495	60,954	100.00%
September 30, 2009	97,209	26,364	79,535	108.94%
September 30, 2008	102,006	24,822	84,164	106.84%
September 30, 2007	96,527	21,731	74,796	100.00%
September 30, 2006	45,759	29,117	66,609	209.20%
September 30, 2005	-	-	55,026	100.00%
September 30, 2004	-	-	55,026	100.00%

**Retired Employees' Insurance Plan**

	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>Percentage Contributed</b>
September 30, 2013	Unavailable	Unavailable	Unavailable
September 30, 2012	\$ 253,516	\$ 177,236	69.91%
September 30, 2011	203,397	169,635	83.40%
September 30, 2010	159,759	124,117	77.69%
September 30, 2009	109,712	109,957	100.22%
September 30, 2008	101,227	101,097	99.87%

\* This amount represents 60% of total member contributions made during the year ended September 30, 2004.

Note: The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation can be found in Note 6 to the financial statements.

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

Fiscal year ending September 30,	2014*		2013	
	GERP	GERP	PERP	FRP
<b>Total Pension Liability</b>				
Service cost	\$ 299,907	\$ 277,692	\$ 192,246	\$ 106,139
Interest	1,073,644	1,025,082	445,254	523,391
Differences between expected and actual experience	-	-	-	-
Benefit payments, including refunds of employee contributions	(810,211)	(625,717)	(201,946)	(363,052)
<b>Net change in total pension liability</b>	563,340	677,057	435,554	266,478
<b>Total pension liability - beginning</b>	13,525,744	12,848,687	5,526,951	6,829,296
<b>Total pension liability - ending (a)</b>	<u>\$14,089,084</u>	<u>\$13,525,744</u>	<u>\$ 5,962,505</u>	<u>\$ 7,095,774</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 515,239	\$ 431,650	\$ 185,276	\$ 188,126
Contributions - state	-	-	82,512	92,339
Contributions - member	216,487	212,636	48,250	41,551
Net investment income	1,056,605	1,289,483	695,949	252,199
Benefit payments, including refunds of employee contributions	(810,211)	(625,717)	(201,946)	(363,052)
Administrative expenses	(30,596)	(22,136)	(32,153)	(16,577)
Other	-	-	-	-
<b>Net change in plan fiduciary net position</b>	947,524	1,285,916	777,888	194,586
<b>Plan fiduciary net position - beginning</b>	11,487,958	10,202,042	5,506,265	3,354,837
<b>Plan fiduciary net position - ending (b)</b>	<u>\$12,435,482</u>	<u>\$11,487,958</u>	<u>\$ 6,284,153</u>	<u>\$ 3,549,423</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 1,653,602</u>	<u>\$ 2,037,786</u>	<u>\$ (321,648)</u>	<u>\$ 3,546,351</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.26%	84.93%	105.39%	50.02%
<b>Covered employee payroll</b>	\$ 2,164,868	\$ 2,126,357	\$ 804,168	\$ 639,252
<b>Net pension liability as a percentage of covered employee payroll</b>	76.38%	95.83%	-40.00%	554.77%
<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>	9.19%	12.60%	12.54%	7.54%

Notes to schedule:

- This information is not available for previous years, 2005 through 2012

\* The September 30, 2014 information is unavailable for the Police Officers' Retirement Plan and Firefighters' Retirement

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

	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b><u>General Employees' Retirement Plan</u></b>										
Actuarially determined contribution	\$ 515,239	\$ 431,650	\$ 350,068	\$ 263,193	\$ 212,522	\$ 146,590	\$ 150,416	\$ 176,965	\$ 147,299	\$ 175,536
Contributions in relation to the actuarially determined contributions	515,239	431,650	350,068	263,193	212,522	182,014	157,672	176,965	159,446	175,536
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35,424)</b>	<b>\$ (7,256)</b>	<b>\$ -</b>	<b>\$ (12,147)</b>	<b>\$ -</b>
<b>Covered employee payroll</b>	<b>\$ 2,164,868</b>	<b>\$ 804,168</b>	<b>\$ 2,147,539</b>	<b>\$ 2,212,864</b>	<b>\$ 2,310,954</b>	<b>\$ 2,470,351</b>	<b>\$ 2,489,102</b>	<b>\$ 2,243,608</b>	<b>\$ 2,265,681</b>	<b>\$ 2,277,522</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>23.80%</b>	<b>53.68%</b>	<b>16.30%</b>	<b>11.89%</b>	<b>9.20%</b>	<b>7.37%</b>	<b>6.33%</b>	<b>7.89%</b>	<b>7.04%</b>	<b>7.71%</b>
<b><u>Police Officers' Retirement Plan</u></b>										
Actuarially determined contribution	\$ -	\$ 267,788	\$ 247,022	\$ 228,650	\$ 190,324	\$ 114,610	\$ 127,653	\$ 149,671	\$ 118,430	\$ 149,094
Contributions in relation to the actuarially determined contributions	-	267,788	247,022	228,650	190,324	114,610	130,970	149,671	118,430	149,094
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,317)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered employee payroll</b>	<b>\$ -</b>	<b>\$ 804,168</b>	<b>\$ 760,984</b>	<b>\$ 853,431</b>	<b>\$ 836,238</b>	<b>\$ 789,029</b>	<b>\$ 750,271</b>	<b>\$ 726,635</b>	<b>\$ 734,834</b>	<b>\$ 709,565</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>0.00%</b>	<b>33.30%</b>	<b>32.46%</b>	<b>26.79%</b>	<b>22.76%</b>	<b>14.53%</b>	<b>17.46%</b>	<b>20.60%</b>	<b>16.12%</b>	<b>21.01%</b>
<b><u>Firefighters' Retirement Plan</u></b>										
Actuarially determined contribution	\$ -	\$ 279,992	\$ 216,366	\$ 203,499	\$ 203,450	\$ 97,209	\$ 102,006	\$ 96,527	\$ 45,759	\$ -
Contributions in relation to the actuarially determined contributions	-	279,992	214,366	203,499	203,449	105,899	108,986	96,527	95,726	55,026
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ (8,690)</b>	<b>\$ (6,980)</b>	<b>\$ -</b>	<b>\$ (49,967)</b>	<b>\$ (55,026)</b>
<b>Covered employee payroll</b>	<b>\$ -</b>	<b>\$ 639,252</b>	<b>\$ 657,941</b>	<b>\$ 655,402</b>	<b>\$ 739,015</b>	<b>\$ 728,150</b>	<b>\$ 654,729</b>	<b>\$ 596,472</b>	<b>\$ 539,174</b>	<b>\$ 642,109</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>0.00%</b>	<b>43.80%</b>	<b>32.58%</b>	<b>31.05%</b>	<b>27.53%</b>	<b>14.54%</b>	<b>16.65%</b>	<b>16.18%</b>	<b>17.75%</b>	<b>8.57%</b>

\* The September 30, 2014 information is unavailable for the Police Officers' Retirement Plan and Firefighters' Retirement Plan

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

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**Valuation Date:** October 1, 2012

**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: 25 Years (as of 10/01/2012)

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: Up to 5.0% per year, 0.59% for 2012. (Utilized for amortizing the unfunded actuarial accrued liabilities.)

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

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

Termination rates: See table below

Disability rates: See table below

Mortality: RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static). Disabled lives are set forward 5 years.

Other information:

Termination and Disability Rate Table

Age	% Terminating During the Year	Disabled During the Year
20	6.60%	0.03%
30	4.90%	0.04%
40	4.00%	0.07%
50	2.20%	0.18%

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

**Valuation Date:** October 1, 2011

Notes: 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: 26 Years (as of 10/01/2011)  
Asset valuation method: 4 Year Smooth (Market)  
Inflation: 3.0% per year  
Salary increases: 7.50% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation  
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)  
Payroll growth: 3.00% per year, but limited to the 10-year historical average (0.5% in 2012)  
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.  
Termination rates: See table below  
Disability rates: See table below  
Mortality: RP-2000 Combined Healthy (sex distinct). Disableds set forward 5 years

Other Information:

Termination and Disability Rate Table

Age	% Terminating During the Year	Disabled During the Year
20	17.20%	0.03%
30	15.00%	0.04%
40	8.20%	0.07%
50	1.70%	0.18%

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

**Valuation Date:** October 1, 2011  
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

**Notes:**

**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 10/01/2011)

**Asset valuation method:** 4 Year Smooth

**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 3.45% for 10/1/11)

**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:** See table below

**Termination rates:** See table below

**Payroll increase:** 3.00% per year

**Mortality:** RP-2000 Combined Healthy (sex distinct). Disableds set forward 5 years

**Other Information:** Termination and Disability Rate Table

Age	% Terminating During the Year	Disabled During the Year
20	16.80%	0.03%
30	15.00%	0.04%
40	8.20%	0.07%
50	1.70%	0.18%

**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.

**CITY OF MILTON, FLORIDA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>				<b>Total Nonmajor Governmental Funds</b>
	<b>Police Special Investigation</b>	<b>Downtown Redevelopment</b>	<b>Red Light Camera</b>	<b>Debt Service</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 3,394	\$ -	\$ 356,123	\$ 359,517
Accounts receivable	-	-	500	-	500
Prepaid items	-	2,049	-	-	2,049
Restricted cash	9,778	83,833	13,033	-	106,644
<b>TOTAL ASSETS</b>	<b>\$ 9,778</b>	<b>\$ 89,276</b>	<b>\$ 13,533</b>	<b>\$ 356,123</b>	<b>\$ 468,710</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ -	\$ 2,260	\$ 9,962	\$ -	\$ 12,222
Due to other governments	-	-	3,071	-	3,071
Unearned revenue	-	11,641	-	-	11,641
Total liabilities	-	13,901	13,033	-	26,934
Fund balance					
Nonspendable	-	2,049	-	-	2,049
Restricted					
Public safety	9,778	-	500	-	10,278
Downtown redevelopment	-	73,326	-	-	73,326
Assigned	-	-	-	356,123	356,123
Total fund balance	9,778	75,375	500	356,123	441,776
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 9,778</b>	<b>\$ 89,276</b>	<b>\$ 13,533</b>	<b>\$ 356,123</b>	<b>\$ 468,710</b>

**CITY OF MILTON, FLORIDA  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>				<b>Total Nonmajor Governmental Funds</b>
	<b>Police Special Investigation</b>	<b>Downtown Redevelopment</b>	<b>Red Light Camera</b>	<b>Debt Service</b>	
<b>REVENUES</b>					
Intergovernmental	\$ -	\$ 36,050	\$ -	\$ -	\$ 36,050
Charges for services	-	29,836	-	-	29,836
Fines and forfeits	150	-	161,454	-	161,604
Miscellaneous	10	33	8	147	198
<b>Total revenues</b>	<u>160</u>	<u>65,919</u>	<u>161,462</u>	<u>147</u>	<u>227,688</u>
<b>EXPENDITURES</b>					
Current					
Public safety	5,176	-	161,462	-	166,638
Economic environment	-	42,140	-	-	42,140
Debt service					
Principal	-	-	-	269,394	269,394
Interest	-	-	-	49,728	49,728
<b>Total expenditures</b>	<u>5,176</u>	<u>42,140</u>	<u>161,462</u>	<u>319,122</u>	<u>527,900</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(5,016)</u>	<u>23,779</u>	<u>-</u>	<u>(318,975)</u>	<u>(300,212)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	19,144	-	340,393	359,537
Transfers out	-	(16,700)	-	-	(16,700)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>2,444</u>	<u>-</u>	<u>340,393</u>	<u>342,837</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(5,016)</u>	<u>26,223</u>	<u>-</u>	<u>21,418</u>	<u>42,625</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>14,794</u>	<u>49,152</u>	<u>500</u>	<u>334,705</u>	<u>399,151</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 9,778</u>	<u>\$ 75,375</u>	<u>\$ 500</u>	<u>\$ 356,123</u>	<u>\$ 441,776</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, 2014**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 137,888	\$ -	\$ 137,888
Receivables, net	42,866	1,219	44,085
Total current assets	<u>180,754</u>	<u>1,219</u>	<u>181,973</u>
Capital assets			
Non-depreciable	3,000	435,000	438,000
Depreciable, net	153,861	73,167	227,028
Total capital assets	<u>156,861</u>	<u>508,167</u>	<u>665,028</u>
<b>TOTAL ASSETS</b>	<u>\$ 337,615</u>	<u>\$ 509,386</u>	<u>\$ 847,001</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 4,222	\$ 267	\$ 4,489
Due to other funds	-	59	59
Note payable	-	20,532	20,532
Total current liabilities	<u>4,222</u>	<u>20,858</u>	<u>25,080</u>
Non-current liabilities			
Note payable	-	287,320	287,320
<b>TOTAL LIABILITIES</b>	<u>4,222</u>	<u>308,178</u>	<u>312,400</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	156,861	200,315	357,176
Unrestricted	176,532	893	177,425
<b>TOTAL NET POSITION</b>	<u>\$ 333,393</u>	<u>\$ 201,208</u>	<u>\$ 534,601</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, 2014**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 225,948	\$ -	\$ 225,948
<b>OPERATING EXPENSES</b>			
Operating	79,285	41,762	121,047
Depreciation	20,729	13,226	33,955
Total operating expenses	100,014	54,988	155,002
<b>OPERATING INCOME (LOSS)</b>	125,934	(54,988)	70,946
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental	-	36,351	36,351
Interest expense	-	(14,332)	(14,332)
Interest income	13	-	13
Miscellaneous	-	10,477	10,477
Total non-operating revenues (expenses)	13	32,496	32,509
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	125,947	(22,492)	103,455
Transfers in	11,700	10,600	22,300
Transfers out	(109,250)	-	(109,250)
Total transfers	(97,550)	10,600	(86,950)
<b>CHANGE IN NET POSITION</b>	28,397	(11,892)	16,505
<b>NET POSITION AT BEGINNING OF YEAR</b>	304,996	213,100	518,096
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 333,393</u>	<u>\$ 201,208</u>	<u>\$ 534,601</u>

**CITY OF MILTON, FLORIDA  
 PROPRIETARY FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 221,032	\$ (1,219)	\$ 219,813
Payments to suppliers	(66,949)	(42,046)	(108,995)
Miscellaneous income	-	10,477	10,477
	<u>154,083</u>	<u>(32,788)</u>	<u>121,295</u>
Net cash provided by (used in) operating activities			
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Due to other funds	-	59	59
Transfers in	11,700	10,600	22,300
Transfers out	(109,250)	-	(109,250)
	<u>(97,550)</u>	<u>10,659</u>	<u>(86,891)</u>
Net cash provided by (used in) non-capital financing activities			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Intergovernmental revenues	-	36,351	36,351
Principal paid on note payable	-	(19,633)	(19,633)
Interest paid on note payable	-	(14,332)	(14,332)
	<u>-</u>	<u>2,386</u>	<u>2,386</u>
Net cash provided by capital and related financing activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	13	-	13
	<u>56,546</u>	<u>(19,743)</u>	<u>36,803</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>81,342</u>	<u>19,743</u>	<u>101,085</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 137,888</u>	<u>\$ -</u>	<u>\$ 137,888</u>

**CITY OF MILTON, FLORIDA  
NON-MAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 125,934	\$ (54,988)	\$ 70,946
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	20,729	13,226	33,955
Miscellaneous income	-	10,477	10,477
Decrease (increase) in assets			
Accounts receivable	(4,916)	(1,219)	(6,135)
Prepaid items	8,384	767	9,151
Increase (decrease) in liabilities			
Accounts payable	3,952	(1,051)	2,901
	<u>3,952</u>	<u>(1,051)</u>	<u>2,901</u>
Net cash provided by (used in) operating activities	<u>\$ 154,083</u>	<u>\$ (32,788)</u>	<u>\$ 121,295</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  
and Members of the City Council

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, 2014.

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, 2014.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
February 20, 2015

**CITY OF MILTON, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Federal or State Agency Pass-Through Entity Program Title	CFDA/ CSFA Number	Contract/Grant Number	Expenditures
<b>U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)</b>			
Indirect Program			
Pass-Through From:			
State Department of Emergency Management			
Hazard Mitigation Grant (HGMP) - Sanders Street	97.039	13HM-2X-01-67-02-316	\$ 868,938
Hazard Mitigation Grant (HGMP)	97.039	14HM-1F-01-67-02-241	<u>121,523</u>
<b>Total U.S. Department of Homeland Security</b>			<u>990,461</u>
<b>U.S. Department of Justice</b>			
Indirect Program			
Pass-Through From:			
State Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.738	2014-JAGD-SANT-1-E6-084	1,718
<b>U.S. Department of Transportation</b>			
Indirect Programs			
Pass-Through From:			
State Department of Transportation			
Safety Data Improvement Program	20.234	FM-SAD-0016-12-01-00	13,130
National Priority Safety Programs	20.616	M3DA-14-18-11	<u>14,937</u>
<b>Total U.S. Department of Transportation</b>			<u>28,067</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,020,246</u></u>
<b>Florida Department of Environmental Protection</b>			
Direct Program			
Small County Wastewater Treatment Grants	37.039	SG625090	\$ 7,516,848
Wastewater Treatment Facility Construction	37.077	WW570300 / WW625110	875,305
<b>Florida Department of Transportation</b>			
Direct Program			
State Highway Project Reimbursement	55.023	416533-8-58-41/12	<u>295,734</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u><u>\$ 8,687,887</u></u>

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

**CITY OF MILTON, FLORIDA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of the City of Milton, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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

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, 2014, 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 February 20, 2015.

**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. Given these limitations, during our audit we did not identify any deficiencies in Internal Control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in Internal Control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (2014-1).

**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 Questioned Costs. 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  
February 20, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND PROJECT AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and City Council Members

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Milton, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2014. The City's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program and State Project***

In our opinion, the City of Milton, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

## **Report on Internal Control over Compliance**

Management of the City of Milton, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Milton's internal control over compliance.

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

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
February 20, 2015

**CITY OF MILTON, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**1. SUMMARY OF AUDITOR'S RESULTS**

**1. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

***Federal Awards and State Projects***

Internal control over major programs:

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

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

- Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*? \_\_\_\_\_ Yes   X   No

Identification of major projects:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
97.039	Hazard Mitigation Grant
<b>CSFA Number</b>	<b>Name of State Project</b>
37.039	Small County Wastewater Treatment Grant

Dollar threshold used to distinguish between type A and type B programs for federal awards? \_\_\_\_\_ \$300,000

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

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

**CITY OF MILTON, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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**2. FINANCIAL STATEMENT FINDINGS**

*Financial Statement Finding Number 2014-1:* The pooled cash account reconciliation did not agree to the general ledger balance at September 30, 2014, and the same issue occurred September 30, 2010 - 2013. We recommended that Management review the bank reconciliation process and establish set procedures for monitoring and reconciling the pooled cash accounts on a timely basis. Our recommendation remains.

*Corrective Action plan* - The City will review current bank reconciliation procedures and discuss corrective actions to be made in the coming year. The City will contact the accounting system's customer support and contract with them to determine the unidentified differences.

## 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, 2014, and have issued our report thereon dated February 20, 2015.

### 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

### Other Reports and Schedule

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*; Independent Auditors' Report on Compliance for Each Major Program and Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports and schedule, which are dated February 20, 2015, 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. Except as noted below under the heading Prior Year Findings and Recommendations, corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Tabulation of Uncorrected Audit Findings			
Description	Current Year Finding #	2012-13 FY Finding #	2011-12 FY Finding #
Unreconciled Differences in Pooled Cash Reconciliation <sup>1</sup>	2014-1	2010-01	2010-01
<sup>1</sup> - significant deficiency			

**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, 2014. 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**

Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., *Rules of the Auditor General*, requires that we 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, 2014, 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, 2014. 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)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 Questioned Costs as well as below under the heading Current Year Findings and Recommendations.

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.

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS*****2014-1: UTILITY BILLING PROCEDURES******Observation***

During our tests of controls over the City's utility billing cycle, we noted opportunities for strengthening internal controls over the exception reporting process. We selected eight customers and four routes from utility billing exception reports to test the nature of exception and whether such exception was properly documented in the utility billing system and/or evidenced with proper review and approval. Our testing revealed that not all exceptions were being signed off on as reviewed. In other cases where the exception reports were reviewed by the customer service associates, the consumption histories did not warrant such approval. Lastly, we noted where one account marked for re-read due to negative consumption was not re-read, and the reason for the exception was not documented in the utility billing system.

***Recommendation***

All utility billing exception reports, including those where no re-reads are deemed necessary, should be signed off by both the customer service associates and the Utility Billing Supervisor as signatory evidence that the report was reviewed. In addition, having the Utility Billing Supervisor review will ensure that all passed exceptions are properly warranted and the reason is documented in the utility billing system.

***Management's Response and Corrective Action Plan***

Due to the high amount of turnover in the Accounting Clerks positions during FY 2014, training is still an ongoing process in the Utility Billings area. However, the City has put in place procedures for the Accounting Clerks regarding the Utility Billing Exceptions Report:

Each Cycle Utility Billing Exception report is reviewed customer by customer, each re-read is highlighted and each page are both signed and dated by the Accounting Clerks.

The Utility Department then goes out and does a re-read of each highlighted Exception, make notes on the sheet of their corrective action and then signs and dates the item.

The Exceptions report is turned back into the Accounting Clerks to note the corrective action taken and then sign and date their corrective action.

The Utility Billing Supervisor or appointed person reviews the report for corrective actions and signatures and also signs and dates the exception report.

## **2014-2: PAYROLL PROCEDURES**

### **Observation**

During our test of controls over the payroll cycle, we noted areas where controls could be strengthened. The same individual processing payroll is also releasing the direct deposit funds from the bank which is a weakness in the segregation of duties. We selected a total of eight employees and pay periods, for our detailed testing. The test revealed that one of the eight timesheets was not properly approved.

### **Recommendation**

We recommend that someone other than the individual processing payroll release the direct deposit funds. This process should include comparing the total amount to be released to the payroll register. All timesheets should be properly signed off by both the employee and their supervisor.

### **Management's Response and Corrective Action Plan**

The City incorporated the recommendations as of the interim audit. The Payroll Clerk reviews all timesheets for proper signature. The City Clerk reviews the Payroll Clerks by weekly register and then processes the release of the direct deposit funds.

## **2014-3: SEGREGATION OF DUTIES SURROUNDING DISBURSEMENTS**

### **Observation**

Currently, as a part of the accounts payable and cash disbursement process, the Accounts Payable clerk prepares the disbursements for signature and mails the checks after they are signed, which is a weakness in segregation of duties. An individual with access to the City's accounts payable module should not have custody of the signed checks.

### **Recommendation**

We recommend that someone other than the individual processing accounts payable mail signed checks, along with the remittance advice, to their respective vendors.

### **Management's Response and Corrective Action Plan**

The City incorporated the recommendations as of the interim audit. The Accounting Clerk 3 mails the signed checks, along with the remittance advice, separating this process away from the Accounts Payable Clerk.

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the City of Milton, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

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

*Warren Averett, LLC*

Fort Walton Beach, Florida  
February 20, 2015