



Financial Statements and
Supplementary Information

Fiscal Year Ended September 30, 2015



INTRODUCTORY SECTION

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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milton, Florida, as of September 30, 2015, 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.

Emphasis of Matter

As discussed in Note 17, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

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 Schedules of Changes in the City's Net Pension Liability and Related Ratios – Unaudited on pages 74-76, the Schedule of Contributions – Unaudited on page 77, the Notes to the Schedule of Contributions – Unaudited on pages 78-80, and the Other Post-Employment Benefits Schedule of Funding Progress – Unaudited on page 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, on our consideration of the City of Milton, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milton, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
March 31, 2016

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, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$38.0 million (net position), which represents a decrease of \$0.6 million (or 2%) from the prior year. Of this amount, \$27.8 million represents net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$3.5 million is restricted for future obligations, and \$6.7 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The net position of the governmental-type activities of the City decreased by \$131 thousand (or 1%) from the prior year.
- The net position of the business-type activities of the City decreased by \$474 thousand (or 2%) from the prior year.
- The City's governmental funds reported combined ending fund balances of \$4.6 million, an increase of \$715.1 thousand. Approximately \$1.3 million (or 29%) of the ending fund balances is nonspendable, restricted, or assigned, and \$3.3 million (or 71%) is available for spending.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3.3 million, or approximately five months of General Fund operating expenditures.
- During the 2015 fiscal year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, beginning net position for 2015 of the City's governmental and business-type activities were restated lower by \$4.2 million and \$440 thousand, respectively.
- During the 2015 fiscal year, an error was discovered that required a material adjustment. This occurred as the result of an error in the calculation of depreciation of certain capital assets. As a result, beginning net capital assets in the governmental and business-type activities were adjusted lower by \$845 thousand and \$127 thousand, respectively.

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

The statement of 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), capital projects, and debt service. The business-type activities of the City include natural gas, water and sewer, sanitation, Sundial utilities, and the non-major funds (marina and stormwater). The government-wide financial statements are found on pages 17-18 of this report.

Fund Financial Statements

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

FUNDS

Governmental Funds

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

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, Police Special Investigation Fund, Downtown Redevelopment Fund, Red Light Camera Fund, Capital Projects Fund, and Debt Service Fund). Information is presented separately in the governmental fund Balance Sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, which is always considered to be a major fund. Data from the other five governmental funds (Police Special Investigation Fund, Downtown Redevelopment Fund, Red Light Camera Fund, Capital Projects Fund, and Debt Service Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and can be found on pages 82-83 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 24-29 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 84-87 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 30-31 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 32 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 74-81 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 82-87 of this report are the Combining Fund Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38.0 million (net position) for the fiscal year ended 2015, as reported in Table 1. As reported in Table 2, the overall decrease in the City's net position was \$0.6 million (or 2%) during fiscal year 2015.

By far the largest portion of the City's net position, \$27.8 million (or 73%) 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 \$3.6 million (or 9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6.7 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, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other asset capital assets*	\$ 5,096,279	\$ 4,626,665	\$ 11,215,557	\$ 10,276,382	\$ 16,311,836	\$ 14,903,047
	10,856,228	12,937,390	26,043,324	27,967,976	36,899,552	40,905,366
Total assets	15,952,507	17,564,055	37,258,881	38,244,358	53,211,388	55,808,413
Total deferred outflows of resources	694,608	-	134,139	-	828,747	-
Long-term liabilities outstanding	5,499,328	1,607,525	9,354,797	9,037,348	14,854,125	10,644,873
Other liabilities	381,963	352,629	391,146	550,795	773,109	903,424
Total liabilities	5,881,291	1,960,154	9,745,943	9,588,143	15,627,234	11,548,297
Total deferred inflows of resources	314,849	98,972	32,852	-	347,701	98,972
Net position						
Net investment in capital assets*	9,934,782	11,737,152	17,923,678	19,662,532	27,858,460	31,399,684
Restricted	783,175	574,536	2,772,895	2,425,369	3,556,070	2,999,905
Unrestricted (deficit)	(266,982)	3,193,241	6,917,652	6,568,314	6,650,670	9,761,555
Total net position	\$ 10,450,975	\$ 15,504,929	\$ 27,614,225	\$ 28,656,215	\$ 38,065,200	\$ 44,161,144

* - these amounts have been restated for 2014 due to an error found in the current year - see Note 17 for additional details

Governmental and business-type activities decreased the City's net position by \$131 thousand and \$474 thousand, 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, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 1,190,617	\$ 1,144,848	\$ 12,053,906	\$ 11,806,288	\$ 13,244,523	\$ 12,951,136
Capital grants and contributions	109,407	1,452,999	440,943	7,889,131	550,350	9,342,130
General revenues						
Property taxes	983,530	924,913	-	-	983,530	924,913
Other taxes	1,402,106	1,329,883	-	-	1,402,106	1,329,883
Other revenue	1,083,257	1,098,339	339,959	221,065	1,423,216	1,319,404
TOTAL REVENUES	4,768,917	5,950,982	12,834,808	19,916,484	17,603,725	25,867,466
EXPENSES						
Primary government						
General government	2,985,019	2,595,048	-	-	2,985,019	2,595,048
Public safety	3,816,362	3,823,592	-	-	3,816,362	3,823,592
Transportation	1,105,348	1,017,003	-	-	1,105,348	1,017,003
Economic environment	41,055	41,544	-	-	41,055	41,544
Culture and recreation	1,420,239	1,272,808	-	-	1,420,239	1,272,808
Debt service interest	40,119	49,728	-	-	40,119	49,728
Business-type activities						
Natural gas	-	-	2,514,145	2,816,764	2,514,145	2,816,764
Water and sewer	-	-	4,981,947	4,699,714	4,981,947	4,699,714
Sanitation	-	-	829,870	805,916	829,870	805,916
Sundial utilities	-	-	376,990	393,647	376,990	393,647
Non-major proprietary funds	-	-	93,272	169,337	93,272	169,337
TOTAL EXPENSES	9,408,142	8,799,723	8,796,224	8,885,378	18,204,366	17,685,101
Increase (decrease) in net position before transfers	(4,639,225)	(2,848,741)	4,038,584	11,031,106	(600,641)	8,182,365
Transfers	4,512,562	4,168,333	(4,512,562)	(4,168,333)	-	-
Increase (decrease) in net position	(126,663)	1,319,592	(473,978)	6,862,773	(600,641)	8,182,365
NET POSITION AT BEGINNING OF YEAR	15,504,929	14,185,337	28,656,215	21,793,442	44,161,144	35,978,779
RESTATEMENT	(4,927,291)	-	(568,012)	-	(5,495,303)	-
NET POSITION AT END OF YEAR	\$ 10,450,975	\$ 15,504,929	\$ 27,614,225	\$ 28,656,215	\$ 38,065,200	\$ 44,161,144

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 44% 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 decreased \$1.3 million as a result of prior year grant proceeds received for the Sanders Street Drainage Improvement project and Florida Department of Transportation Roadside Beautification project on State Road 10 (US 90).
- General government expenses increased \$394 thousand due to increased depreciation expense and an increase in pension expense.
- Culture and recreation expenses increased \$147 thousand as a result of an increase in depreciation expense.
- Transfers out of the business-type activities into the governmental-type activities increased by \$344 thousand compared to the prior year based on increased budgeted transfers.

Chart 1
Expenses and Program Revenues
Governmental Activities

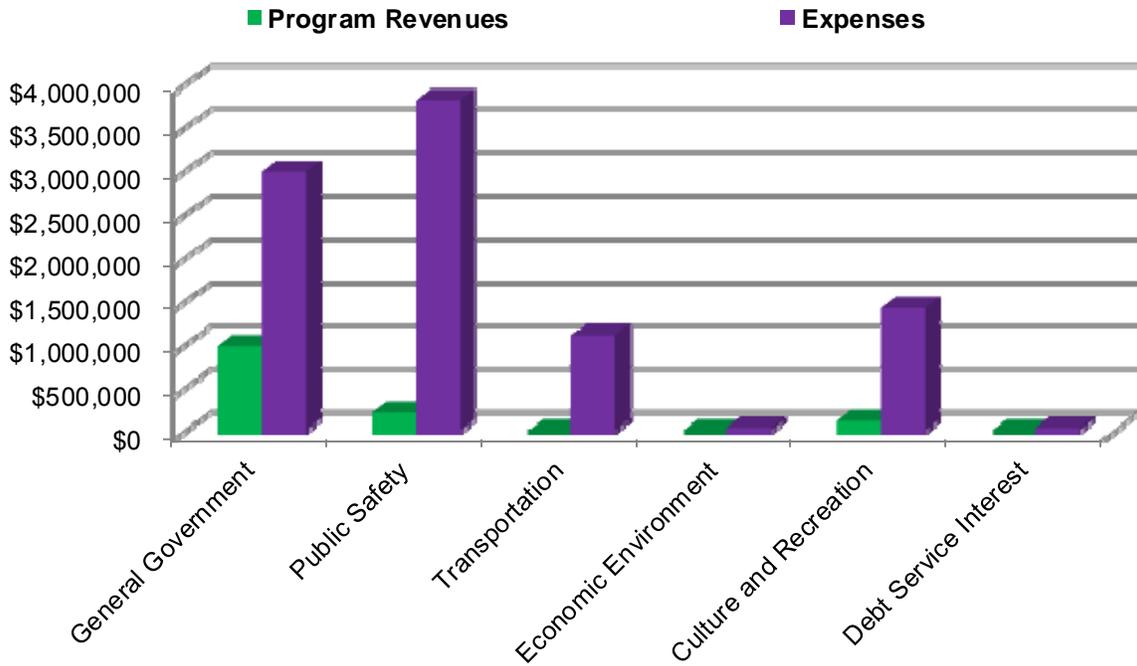
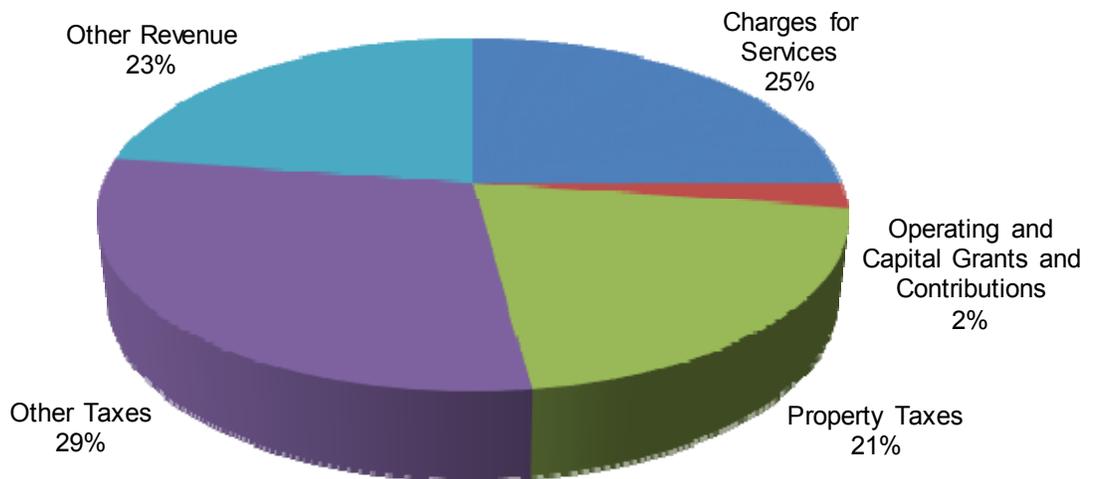
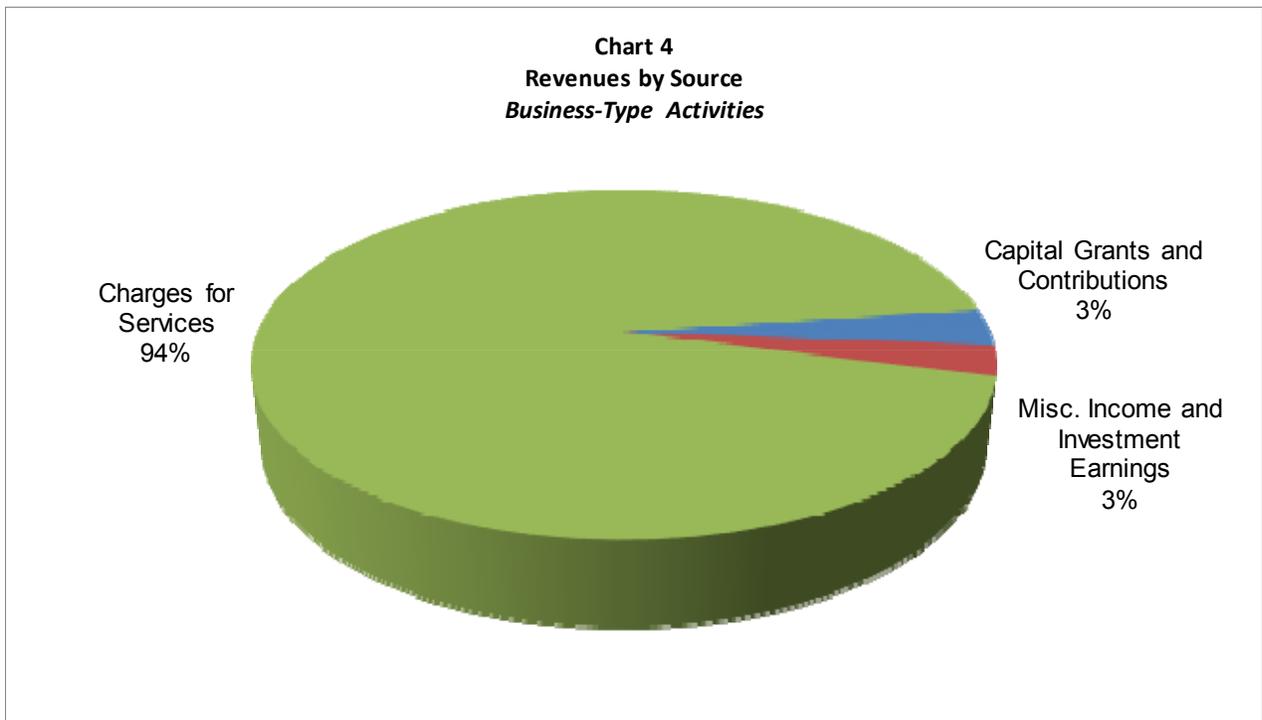
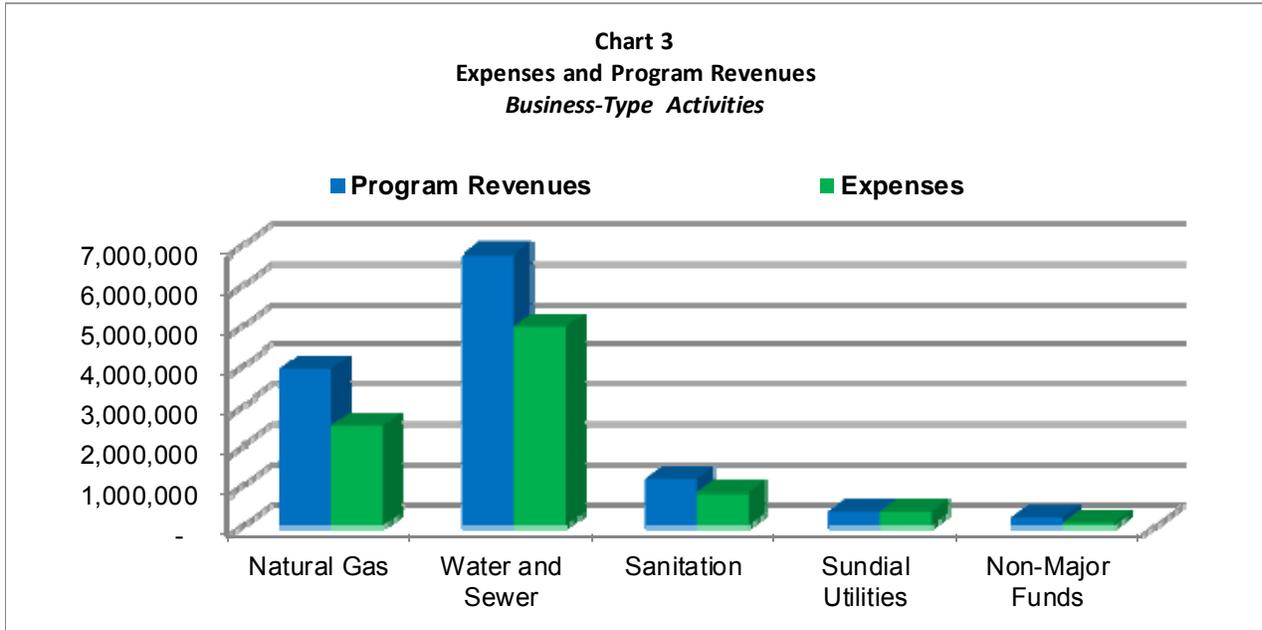


Chart 2
Revenues by Source
Governmental Activities



Current Year Impacts – Business-Type Activities

- Capital grants and contributions decreased \$7.4 million due to prior year grant monies received from the Florida Department of Environmental Protection related to payments towards the City’s wastewater collection and treatment facilities.
- As previously mentioned in the governmental activities impacts, transfers out of the business-type activities increased by \$344 thousand due to increased 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 \$4.6 million, an increase of \$715.1 thousand from the prior year. \$3.3 million constitutes unassigned fund balance, which is available for spending at the City Council's discretion. The remaining fund balance is restricted or assigned for various purposes and commitments.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3.3 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 five months of the General Fund operating expenditures.

During the current fiscal year, the fund balance of the City's General Fund increased by \$469.0 thousand. A key reason for this increase is due to additional amounts transferred in from the proprietary funds based on the City's approved budget.

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 \$6.9 million at the end of the year. Proprietary funds net position decreased by \$474 thousand. The factors concerning the finances of these proprietary funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budgeted expenditures were increased by \$79 thousand, budgeted revenues were increased by \$124 thousand, and budgeted net transfers increased by \$34 thousand, as presented in the final amended budget. The majority of the General Fund budget adjustment to revenues was to account for additional contributions in aid of construction as well as increased proceeds from sale of assets. An additional \$69 thousand was added to the capital outlay expenditures budget to account for additional capital assets acquisitions.

Actual results, when compared to the final budget, show a variance of \$832 thousand. The key factors in this variance are the general government, public safety, and culture and recreation expenditures being under budget by approximately \$147 thousand, \$193 thousand, and \$124 thousand, respectively. This was the result of implementing city-wide cost saving measures. In addition, actual revenues were higher than anticipated by approximately \$458 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, 2015, amounts to \$36.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage system improvements, machinery and equipment, park facilities, roads and highways, etc. The overall decrease in the City's capital assets, for the current fiscal year, was \$3.1 million. This decrease is essentially attributable to current year depreciation offset by current year acquisitions.

As mentioned in the Financial Highlights section, an error was discovered during fiscal year 2015 that required a material adjustment. This occurred as the result of an error in the calculation of depreciation of certain capital assets. As a result, beginning net capital assets in the governmental and business-type activities were adjusted lower by \$845,249 and \$127,488, respectively.

Table 3
CITY OF MILTON, FLORIDA
CAPITAL ASSETS
(Net of Depreciation)
AS OF SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land*	\$ 2,497,798	\$ 2,364,915	\$ 979,313	\$ 979,313	\$ 3,477,111	\$ 3,344,228
Construction in progress	13,840	13,840	1,695,628	2,620,629	1,709,468	2,634,469
Buildings*	2,731,640	2,711,598	49,367	60,567	2,781,007	2,772,165
Improvements other than buildings*	4,740,337	6,047,816	19,378,621	20,307,651	24,118,958	26,355,467
Machinery and equipment*	872,613	953,972	3,940,395	3,872,328	4,813,008	4,826,300
Total	\$ 10,856,228	\$ 12,092,141	\$ 26,043,324	\$ 27,840,488	\$ 36,899,552	\$ 39,932,629

*2014 amounts have been adjusted due to an error in the prior period

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 \$9.6 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, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue notes payable	\$ 749,344	\$ 946,905	\$ 3,491,561	\$ 3,802,786	\$ 4,240,905	\$ 4,749,691
Note payable	-	-	287,320	307,852	287,320	307,852
Capital leases	172,102	253,333	-	-	172,102	253,333
State revolving loan	-	-	4,340,765	4,194,806	4,340,765	4,194,806
Compensated absences	406,566	407,287	171,671	173,075	578,237	580,362
Total	\$ 1,328,012	\$ 1,607,525	\$ 8,291,317	\$ 8,478,519	\$ 9,619,329	\$ 10,086,044

The City's total debt decreased \$467 thousand during the 2015 fiscal year, which is primarily attributable to scheduled payments.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise and occupational license) for their governmental activities. There 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 2015-2016 budget for the City:

- The local unemployment rate was 4.6%, which represents an approximate 0.6% decrease from September 2014. The State of Florida's unemployment rate was 5.2%. 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 2016 budgeting process, the projected revenues from the Federal and State of Florida Governments for intergovernmental revenues were decreased by 4.6% with fiscal year 2015 actual appropriations.
- Property tax revenues are anticipated to increase slightly year-over-year by most regional municipalities. For the 2016 fiscal year, the City increased budgeted property tax revenues by approximately 1% from the prior year budget.
- For the 2016 fiscal year, the City budgeted \$329,596 of existing fund balance, which has been included in the assigned classification of the September 30, 2015 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. Inquiries may also be sent via email to the Finance Department at chiefaccountant@mymiltonflorida.com.

**CITY OF MILTON, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,054,838	\$ 6,780,956	\$ 10,835,794
Receivables, net	138,341	877,675	1,016,016
Due from other governments	234,506	-	234,506
Inventory	143,502	198,995	342,497
Prepaid items	292	-	292
Restricted assets			
Cash and cash equivalents	524,800	3,357,931	3,882,731
Capital assets			
Non-depreciable	2,511,638	2,674,941	5,186,579
Depreciable, net	8,344,590	23,368,383	31,712,973
TOTAL ASSETS	15,952,507	37,258,881	53,211,388
DEFERRED OUTFLOWS OF RESOURCES	694,608	134,139	828,747
LIABILITIES			
Accounts payable	159,443	255,364	414,807
Accrued liabilities	218,234	91,155	309,389
Unearned revenues	4,286	44,627	48,913
Compensated absences	361,001	152,591	513,592
Note payable	-	287,320	287,320
Revenue notes payable	204,649	321,576	526,225
State revolving loan payable	-	234,476	234,476
Capital lease payable	84,416	-	84,416
Payable from restricted assets			
Customer deposits	-	585,036	585,036
Non-current liabilities			
Compensated absences	45,565	19,080	64,645
Revenue notes payable	544,695	3,169,985	3,714,680
State revolving loan payable	-	4,106,289	4,106,289
Capital lease payable	87,686	-	87,686
Net pension liability	4,171,316	478,444	4,649,760
TOTAL LIABILITIES	5,881,291	9,745,943	15,627,234
DEFERRED INFLOWS OF RESOURCES	314,849	32,852	347,701
NET POSITION			
Net investment in capital assets	9,934,782	17,923,678	27,858,460
Restricted			
Debt service	-	237,184	237,184
Public safety	8,417	-	8,417
Downtown redevelopment	72,765	-	72,765
Retirement funding	272,892	-	272,892
Capital projects	429,101	2,535,711	2,964,812
Unrestricted (deficit)	(266,982)	6,917,652	6,650,670
TOTAL NET POSITION	\$ 10,450,975	\$ 27,614,225	\$ 38,065,200

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 2,985,019	\$ 877,773	\$ -	\$ 102,026	\$ (2,005,220)	\$ -	\$ (2,005,220)
Public safety	3,816,362	204,137	-	2,257	(3,609,968)	-	(3,609,968)
Transportation	1,105,348	-	-	-	(1,105,348)	-	(1,105,348)
Economic environment	41,055	-	-	-	(41,055)	-	(41,055)
Culture and recreation	1,420,239	108,707	-	5,124	(1,306,408)	-	(1,306,408)
Debt service interest	40,119	-	-	-	(40,119)	-	(40,119)
Total governmental activities	<u>9,408,142</u>	<u>1,190,617</u>	<u>-</u>	<u>109,407</u>	<u>(8,108,118)</u>	<u>-</u>	<u>(8,108,118)</u>
Business-type activities							
Natural gas	2,514,145	3,937,452	-	-	-	1,423,307	1,423,307
Water and sewer	4,981,947	6,328,788	-	440,943	-	1,787,784	1,787,784
Sanitation	829,870	1,179,198	-	-	-	349,328	349,328
Sundial utilities	376,990	381,049	-	-	-	4,059	4,059
Non-major proprietary funds	93,272	227,419	-	-	-	134,147	134,147
Total business-type activities	<u>8,796,224</u>	<u>12,053,906</u>	<u>-</u>	<u>440,943</u>	<u>-</u>	<u>3,698,625</u>	<u>3,698,625</u>
Total primary government	<u>\$ 18,204,366</u>	<u>\$ 13,244,523</u>	<u>\$ -</u>	<u>\$ 550,350</u>	<u>\$ (8,108,118)</u>	<u>\$ 3,698,625</u>	<u>\$ (4,409,493)</u>
General revenues							
Taxes							
Property taxes					\$ 983,530	\$ -	\$ 983,530
Sales taxes					288,384	-	288,384
Utility service taxes					1,113,722	-	1,113,722
Municipal revenue sharing					917,416	42,287	959,703
Gain on sale of assets					2,867	-	2,867
Investment earnings					6,240	18,476	24,716
Miscellaneous					156,734	279,196	435,930
Transfers					4,512,562	(4,512,562)	-
Total general revenues and transfers					<u>7,981,455</u>	<u>(4,172,603)</u>	<u>3,808,852</u>
CHANGE IN NET POSITION					<u>(126,663)</u>	<u>(473,978)</u>	<u>(600,641)</u>
NET POSITION AT BEGINNING OF YEAR, RESTATED					<u>10,577,638</u>	<u>28,088,203</u>	<u>38,665,841</u>
NET POSITION AT END OF YEAR					<u>\$ 10,450,975</u>	<u>\$ 27,614,225</u>	<u>\$ 38,065,200</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2015**

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Non-Major Governmental Funds	
ASSETS			
Cash and cash equivalents	\$ 3,698,535	\$ 356,303	\$ 4,054,838
Receivables	137,841	500	138,341
Due from other governments	234,506	-	234,506
Inventory	143,502	-	143,502
Prepaid items	-	292	292
Restricted assets			
Cash and cash equivalents	129,475	395,325	524,800
TOTAL ASSETS	\$ 4,343,859	\$ 752,420	\$ 5,096,279
LIABILITIES			
Accounts payable	\$ 148,712	\$ 10,731	\$ 159,443
Accrued liabilities	218,234	-	218,234
Unearned revenue	-	4,286	4,286
Total liabilities	366,946	15,017	381,963
DEFERRED INFLOWS OF RESOURCES			
Business license fees received in advance	87,369	-	87,369
FUND BALANCE			
Nonspendable			
Inventory	143,502	-	143,502
Prepaid items	-	292	292
Restricted			
Capital projects	129,475	299,626	429,101
Public safety	-	8,417	8,417
Downtown redevelopment	-	72,765	72,765
Assigned	332,707	356,303	689,010
Unassigned	3,283,860	-	3,283,860
Total fund balances	3,889,544	737,403	4,626,947
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 4,343,859	\$ 752,420	\$ 5,096,279

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, 2015**

Fund balance, total governmental funds (page 19)		\$ 4,626,947
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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	2,511,638	
Governmental depreciable assets	22,051,348	
Less accumulated depreciation	<u>(13,706,758)</u>	
		10,856,228

Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.

Deferred outflows of resources – City contributions made subsequent to the measurement date	694,608	
Deferred inflows of resources – net difference between projected and actual earnings on pension plan investments	<u>(227,480)</u>	
		467,128

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

Revenue notes payable	(749,344)	
Capital leases	(172,102)	
Compensated absences	(406,566)	
Net pension liability	<u>(4,171,316)</u>	
		<u>(5,499,328)</u>

Net position of governmental activities (page 17)		<u><u>\$ 10,450,975</u></u>
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See notes to the financial statements.

**CITY OF MILTON, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Major Fund</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES			
Taxes	\$ 2,385,636	\$ -	\$ 2,385,636
License, fees, and permits	848,325	-	848,325
Intergovernmental	923,767	40,571	964,338
Charges for services	115,010	33,435	148,445
Fines and forfeits	24,780	191,868	216,648
Miscellaneous	202,935	2,590	205,525
Total revenues	<u>4,500,453</u>	<u>268,464</u>	<u>4,768,917</u>
EXPENDITURES			
Current			
General governmental services	2,118,283	-	2,118,283
Public safety	3,433,069	196,059	3,629,128
Economic environment	-	41,055	41,055
Transportation	1,087,625	-	1,087,625
Culture and recreation	1,035,821	-	1,035,821
Capital outlay			
General governmental services	176,455	1,862	178,317
Public safety	72,723	-	72,723
Transportation	67,559	-	67,559
Culture and recreation	16,993	-	16,993
Debt Service			
Principal	-	278,793	278,793
Interest	-	40,119	40,119
Total expenditures	<u>8,008,528</u>	<u>557,888</u>	<u>8,566,416</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(3,508,075)</u>	<u>(289,424)</u>	<u>(3,797,499)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,567,562	590,460	5,158,022
Transfers out	(590,460)	(55,000)	(645,460)
Total other financing sources (uses)	<u>3,977,102</u>	<u>535,460</u>	<u>4,512,562</u>
NET CHANGE IN FUND BALANCE	469,027	246,036	715,063
FUND BALANCE AT BEGINNING OF YEAR	<u>3,420,517</u>	<u>491,367</u>	<u>3,911,884</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,889,544</u>	<u>\$ 737,403</u>	<u>\$ 4,626,947</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, 2015**

Net change in fund balance – governmental funds (page 21) \$ 715,063

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

Expenditures for capital assets	335,592	
Less current year depreciation	<u>(1,647,028)</u>	(1,311,436)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments		278,793
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in net pension liability and related deferred inflows and outflows of resources related to pensions	190,196	
Change in long-term compensated absences	<u>721</u>	<u>190,917</u>

Change in net position of governmental activities (page 18)		<u><u>\$ (126,663)</u></u>
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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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$2,161,586	\$ 2,161,586	\$ 2,385,636	\$ 224,050
Licenses, fees, and permits	693,352	693,352	848,325	154,973
Intergovernmental	819,477	855,344	923,767	68,423
Charges for services	127,800	135,922	115,010	(20,912)
Fines and forfeits	19,200	19,200	24,780	5,580
Miscellaneous	96,610	177,427	202,935	25,508
Total revenues	<u>3,918,025</u>	<u>4,042,831</u>	<u>4,500,453</u>	<u>457,622</u>
EXPENDITURES				
Current				
General governmental services	2,279,315	2,265,096	2,118,283	146,813
Public safety	3,619,681	3,625,701	3,433,069	192,632
Transportation	1,144,936	1,148,358	1,087,625	60,733
Culture and recreation	1,145,575	1,159,829	1,035,821	124,008
Capital outlay				
General governmental services	39,560	68,203	176,455	(108,252)
Public safety	75,000	97,445	72,723	24,722
Transportation	-	8,042	67,559	(59,517)
Culture and recreation	-	9,978	16,993	(7,015)
Total expenditures	<u>8,304,067</u>	<u>8,382,652</u>	<u>8,008,528</u>	<u>374,124</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(4,386,042)</u>	<u>(4,339,821)</u>	<u>(3,508,075)</u>	<u>831,746</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,436,854	4,567,562	4,567,562	-
Transfers out	(493,915)	(591,095)	(590,460)	635
Total other financing sources (uses)	<u>3,942,939</u>	<u>3,976,467</u>	<u>3,977,102</u>	<u>635</u>
NET CHANGE IN FUND BALANCE	(443,103)	(363,354)	469,027	832,381
FUND BALANCE AT BEGINNING OF YEAR	<u>443,103</u>	<u>363,354</u>	<u>3,420,517</u>	<u>3,057,163</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,889,544</u>	<u>\$ 3,889,544</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
ASSETS						
Current assets						
Cash and cash						
equivalents	\$1,487,784	\$ 4,317,400	\$ 440,245	\$ 103,694	\$ 431,833	\$ 6,780,956
Receivables, net	169,534	556,641	92,934	19,533	39,033	877,675
Inventory	198,995	-	-	-	-	198,995
Restricted assets						
Cash and cash						
equivalents	186,570	2,896,935	-	274,426	-	3,357,931
Total current assets	<u>2,042,883</u>	<u>7,770,976</u>	<u>533,179</u>	<u>397,653</u>	<u>470,866</u>	<u>11,215,557</u>
Capital assets						
Non-depreciable	87,745	1,699,196	-	450,000	438,000	2,674,941
Depreciable, net	696,390	20,436,339	90,168	1,952,413	193,073	23,368,383
Total capital assets	<u>784,135</u>	<u>22,135,535</u>	<u>90,168</u>	<u>2,402,413</u>	<u>631,073</u>	<u>26,043,324</u>
TOTAL ASSETS	<u>2,827,018</u>	<u>29,906,511</u>	<u>623,347</u>	<u>2,800,066</u>	<u>1,101,939</u>	<u>37,258,881</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>29,790</u>	<u>89,475</u>	<u>14,874</u>	<u>-</u>	<u>-</u>	<u>134,139</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2015**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 146,516	\$ 96,371	\$ 7,014	\$ 3,346	\$ 2,117	\$ 255,364
Accrued liabilities						
Compensated absences	48,187	85,054	19,350	-	-	152,591
Wages	19,037	60,186	11,932	-	-	91,155
Revenue notes payable	20,809	168,368	-	132,399	-	321,576
Note payable	-	-	-	-	287,320	287,320
State revolving loans						
payable	-	234,476	-	-	-	234,476
Unearned revenues	-	44,627	-	-	-	44,627
Payable from restricted assets						
Customer deposits	186,570	361,224	-	37,242	-	585,036
Total current liabilities	<u>421,119</u>	<u>1,050,306</u>	<u>38,296</u>	<u>172,987</u>	<u>289,437</u>	<u>1,972,145</u>
Non-current liabilities						
Compensated absences	7,685	9,406	1,989	-	-	19,080
Revenue notes payable	61,697	499,186	-	2,609,102	-	3,169,985
State revolving loans						
payable	-	4,106,289	-	-	-	4,106,289
Net pension liability	106,254	319,138	53,052	-	-	478,444
Total non-current liabilities	<u>175,636</u>	<u>4,934,019</u>	<u>55,041</u>	<u>2,609,102</u>	<u>-</u>	<u>7,773,798</u>
TOTAL LIABILITIES	<u>596,755</u>	<u>5,984,325</u>	<u>93,337</u>	<u>2,782,089</u>	<u>289,437</u>	<u>9,745,943</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>7,296</u>	<u>21,914</u>	<u>3,642</u>	<u>-</u>	<u>-</u>	<u>32,852</u>
NET POSITION						
Net investment in capital assets						
	701,629	17,127,216	90,168	(339,088)	343,753	17,923,678
Restricted						
Debt service	-	-	-	237,184	-	237,184
Capital projects	-	2,535,711	-	-	-	2,535,711
Unrestricted	1,551,128	4,326,820	451,074	119,881	468,749	6,917,652
TOTAL NET POSITION	<u>\$2,252,757</u>	<u>\$23,989,747</u>	<u>\$ 541,242</u>	<u>\$ 17,977</u>	<u>\$ 812,502</u>	<u>\$ 27,614,225</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
OPERATING REVENUES						
Charges for services	\$ 3,937,452	\$ 6,328,788	\$ 1,179,198	\$ 381,049	\$ 227,419	\$ 12,053,906
OPERATING EXPENSES						
Personal services	654,975	1,483,318	339,703	-	-	2,477,996
Operating	1,687,478	1,304,428	467,885	63,492	45,883	3,569,166
Depreciation	168,473	2,029,100	22,282	266,297	33,955	2,520,107
Total operating expenses	2,510,926	4,816,846	829,870	329,789	79,838	8,567,269
OPERATING INCOME	1,426,526	1,511,942	349,328	51,260	147,581	3,486,637
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental	-	-	-	-	79,456	79,456
Tower leases	-	130,654	-	-	-	130,654
Interest expense	(3,219)	(165,101)	-	(47,201)	(13,434)	(228,955)
Interest income	404	17,932	-	32	108	18,476
Miscellaneous	53,763	38,759	3,438	-	15,414	111,374
Total non-operating revenues (expenses)	50,948	22,244	3,438	(47,169)	81,544	111,005
INCOME BEFORE OPERATING TRANSFERS AND CAPITAL						
CONTRIBUTIONS	1,477,474	1,534,186	352,766	4,091	229,125	3,597,642
Capital contributions	-	440,943	-	-	-	440,943
Transfers in	-	10,000	-	-	105,276	115,276
Transfers out	(1,489,270)	(2,819,232)	(249,994)	(12,842)	(56,500)	(4,627,838)
Total transfers and capital contributions	(1,489,270)	(2,368,289)	(249,994)	(12,842)	48,776	(4,071,619)
CHANGE IN NET POSITION	(11,796)	(834,103)	102,772	(8,751)	277,901	(473,977)
NET POSITION AT BEGINNING OF YEAR, RESTATED						
	2,264,553	24,823,850	438,470	26,728	534,601	28,088,202
NET POSITION AT END OF YEAR						
	\$ 2,252,757	\$ 23,989,747	\$ 541,242	\$ 17,977	\$ 812,502	\$ 27,614,225

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,927,705	\$ 6,424,813	\$ 1,194,521	\$ 386,840	\$ 232,471	\$ 12,166,350
Payments to suppliers	(1,746,609)	(1,367,002)	(492,925)	(62,488)	(48,255)	(3,717,279)
Payments to employees	(677,542)	(1,528,915)	(344,366)	-	-	(2,550,823)
Tower leases	-	130,654	-	-	-	130,654
Miscellaneous income	53,763	38,759	3,438	-	15,414	111,374
Net cash provided by operating activities	<u>1,557,317</u>	<u>3,698,309</u>	<u>360,668</u>	<u>324,352</u>	<u>199,630</u>	<u>6,140,276</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Due from other funds	-	175,058	-	-	-	175,058
Due to other funds	-	-	-	-	(59)	(59)
Transfers in	-	10,000	-	-	105,276	115,276
Transfers out	(1,489,270)	(2,819,232)	(249,994)	(12,842)	(56,500)	(4,627,838)
Net cash provided by (used in) non-capital financing activities	<u>(1,489,270)</u>	<u>(2,634,174)</u>	<u>(249,994)</u>	<u>(12,842)</u>	<u>48,717</u>	<u>(4,337,563)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisitions of capital assets	(178,677)	(522,117)	-	(22,148)	-	(722,942)
Capital contributions	-	440,943	-	-	-	440,943
Intergovernmental revenues	-	-	-	-	79,456	79,456
Proceeds received from state revolving loans	-	295,302	-	-	-	295,302
Principal paid on note payable, revenue notes payable, and state revolving loans	(19,904)	(310,376)	-	(130,288)	(20,532)	(481,100)
Interest paid on note payable, revenue notes payable, and state revolving loans	(3,219)	(165,101)	-	(47,201)	(13,434)	(228,955)
Net cash provided by (used in) capital and related financing activities	<u>(201,800)</u>	<u>(261,349)</u>	<u>-</u>	<u>(199,637)</u>	<u>45,490</u>	<u>(617,296)</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	404	17,932	-	32	108	18,476
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133,349)	820,718	110,674	111,905	293,945	1,203,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,807,703	6,393,617	329,571	266,215	137,888	8,934,994
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,674,354</u>	<u>\$ 7,214,335</u>	<u>\$ 440,245</u>	<u>\$ 378,120</u>	<u>\$ 431,833</u>	<u>\$ 10,138,887</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF						
Current assets	\$ 1,487,784	\$ 4,317,400	\$ 440,245	\$ 103,694	\$ 431,833	\$ 6,780,956
Restricted assets	186,570	2,896,935	-	274,426	-	3,357,931
Total cash and cash equivalents	<u>\$ 1,674,354</u>	<u>\$ 7,214,335</u>	<u>\$ 440,245</u>	<u>\$ 378,120</u>	<u>\$ 431,833</u>	<u>\$ 10,138,887</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Major Funds				Non-Major Proprietary Funds	Total
	Natural Gas Fund	Water and Sewer Fund	Sanitation Fund	Sundial Utilities Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$ 1,426,526	\$ 1,511,942	\$ 349,328	\$ 51,260	\$ 147,581	\$ 3,486,637
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	168,473	2,029,100	22,282	266,297	33,955	2,520,107
Tower lease income	-	130,654	-	-	-	130,654
Miscellaneous revenue	53,763	38,759	3,438	-	15,414	111,374
Decrease (increase) in assets:						
Accounts receivable	(9,662)	37,647	15,323	3,305	5,052	51,665
Due from other governments	-	31,153	-	-	-	31,153
Inventory	6,900	-	-	-	-	6,900
Increase in deferred outflows of resources	3,317	9,964	1,656	-	-	14,937
Increase (decrease) in liabilities:						
Accounts payable	(66,031)	(62,574)	(25,040)	1,004	(2,372)	(155,013)
Compensated absences payable	(491)	(1,532)	619	-	-	(1,404)
Wages	(8,003)	(1,797)	1,745	-	-	(8,055)
Customer deposits	(85)	23,806	-	2,486	-	26,207
Unearned revenue	-	3,419	-	-	-	3,419
Net pension liability	(24,686)	(74,146)	3,642	-	-	(95,190)
Increase in deferred inflows of resources	7,296	21,914	(12,325)	-	-	16,885
Net cash provided by operating activities	<u>\$ 1,557,317</u>	<u>\$ 3,698,309</u>	<u>\$ 360,668</u>	<u>\$ 324,352</u>	<u>\$ 199,630</u>	<u>\$ 6,140,276</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ASSETS		
Cash and cash equivalents	\$ 898,150	\$ 208,628
Investments, at market	21,928,482	1,524,961
TOTAL ASSETS	\$ 22,826,632	\$ 1,733,589
NET POSITION		
Held in trust for pension and employee retirement benefits	\$ 22,826,632	\$ 1,733,589

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, 2015**

	Pension Trust Funds	Retired Employees' Insurance Trust Fund
ADDITIONS		
Contributions		
Employer	\$ 812,217	\$ 248,528
Plan members	316,766	-
State of Florida	152,135	-
Total contributions	<u>1,281,118</u>	<u>248,528</u>
Investment income (loss)	209,473	(6,447)
Less investment expense	<u>(282,245)</u>	<u>-</u>
Net investment income (loss)	<u>(72,772)</u>	<u>(6,447)</u>
TOTAL ADDITIONS	<u>1,208,346</u>	<u>242,081</u>
DEDUCTIONS		
Benefits and refunds paid		
Retirement payments	1,690,716	18,314
Insurance premiums	-	5,136
Total benefits and refunds paid	<u>1,690,716</u>	<u>23,450</u>
Administrative expenses – other	<u>-</u>	<u>25,749</u>
TOTAL DEDUCTIONS	<u>1,690,716</u>	<u>49,199</u>
NET CHANGE IN NET POSITION	(482,370)	192,882
NET POSITION AT BEGINNING OF YEAR	<u>23,309,002</u>	<u>1,540,707</u>
NET POSITION AT END OF YEAR	<u>\$ 22,826,632</u>	<u>\$ 1,733,589</u>

See notes to the financial statements.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015**

**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, 2015**

**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, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2016

Discounts of 1% for each month taxes are paid prior to March 2016 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 2015 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, 2015**

**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 one major governmental fund, the General 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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**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, 2015**

**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, 2015**

**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, 2015**

**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 – 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

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

Sick Leave

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

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

Compensated Absences – Continued

Compensatory Time

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

Termination Policy

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

	Maximum Number of Accumulated Hours to be Paid
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 report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. As of September 30, 2015,, the City has deferred outflows of resources related to pensions as further described in Note 6.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

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

Deferred Outflows/Inflows of Resources – Continued

In addition to liabilities, the statement of financial position will report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. As of September 30, 2015, the City has fiscal year 2016 business taxes received by the City in advance that qualifies for reporting in this category as well as deferred inflows of resources related to pensions as further described in Note 6.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	October 1, 2013
Measurement Date (MD)	September 30, 2014
Measurement Period (MP)	October 1, 2013 to September 30, 2014

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

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

Governmental Fund Balances – Continued

Assigned fund balances – can only be used for specific purposes, but which do not meet the more formal criterion to be considered either restricted or committed. Fund balances may be assigned by the City Council, City Manager, or City Clerk for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the City Council 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 or any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed. The City does not have a formal minimum fund balance requirement.

Estimates

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

Subsequent Events

Subsequent events were evaluated through March 31, 2016, which is the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED

Budgets – Continued

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

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

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

Prior to October 1, the budget for all governmental and proprietary funds of the City is legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during the fiscal year. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years' unassigned fund balance to the level required to accomplish current year objectives.

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

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

3. DEPOSITS AND INVESTMENTS

Deposits

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

The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public financial institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories. The City's deposits at September 30, 2015, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial risk.

CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

3. DEPOSITS AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2015, 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.

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.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. DEPOSITS AND INVESTMENTS – CONTINUED

**Investments – Continued
Pension Plans – Continued**

As of September 30, 2015, 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	\$ 7,593,174	\$ 130,541	\$ 3,539,223	\$ 2,932,247	\$ 169,110	\$ 18,634	\$ 214,811	\$ 588,608	\$ -
U.S. Government CMOs	662,041	5,002	124,386	132,366	17,865	19,219	251,521	111,682	-
Non-Government CMOs	161,082	-	609	6,454	6,366	9,345	96,395	-	41,913
Municipal	182,990	-	76,526	-	-	106,464	-	-	-
U.S. Treasury	499,497	-	332,338	-	-	-	-	167,159	-
	<u>\$ 9,098,784</u>	<u>\$ 135,543</u>	<u>\$ 4,073,082</u>	<u>\$ 3,071,067</u>	<u>\$ 193,341</u>	<u>\$ 153,662</u>	<u>\$ 562,727</u>	<u>\$ 867,449</u>	<u>\$ 41,913</u>
Investments not subject to interest rate risk									
Equity securities	\$ 12,324,744								
Real estate	<u>2,029,915</u>								
Total	<u>\$ 23,453,443</u>								

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, 2015.

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 3% of the market value of the total fixed income portfolio as of September 30, 2015.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. RECEIVABLES

Receivables at September 30, 2015, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>					<u>Total</u>
	<u>General</u>	<u>Non-Major</u>	<u>Natural Gas</u>	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Sundial Utilities</u>	<u>Non-Major</u>	
Utility taxes and franchise fees	\$ 137,582	\$ -	\$ 907	\$ -	\$ -	\$ -	\$ -	\$ 138,489
Accounts, less allowance for doubtful accounts	259	-	168,271	556,641	92,934	19,533	39,033	876,671
Other	-	500	356	-	-	-	-	856
	<u>\$ 137,841</u>	<u>\$ 500</u>	<u>\$ 169,534</u>	<u>\$ 556,641</u>	<u>\$ 92,934</u>	<u>\$ 19,533</u>	<u>\$ 39,033</u>	<u>\$ 1,016,016</u>

As of September 30, 2015, 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, 2015, are \$234,506. 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, 2015**

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance, As Restated	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,364,915	\$ 132,883	\$ -	\$ 2,497,798
Construction in progress	13,840	-	-	13,840
Total capital assets not being depreciated	<u>2,378,755</u>	<u>132,883</u>	<u>-</u>	<u>2,511,638</u>
Capital assets being depreciated				
Buildings	9,275,735	-	-	9,275,735
Improvements other than buildings	7,883,247	-	-	7,883,247
Machinery and equipment	4,730,266	202,709	(40,609)	4,892,366
Total capital assets being depreciated	<u>21,889,248</u>	<u>202,709</u>	<u>(40,609)</u>	<u>22,051,348</u>
Less accumulated depreciation				
Buildings	(6,043,221)	(500,874)	-	(6,544,095)
Improvements other than buildings	(2,209,913)	(932,997)	-	(3,142,910)
Machinery and equipment	(3,847,205)	(213,157)	40,609	(4,019,753)
Total accumulated depreciation	<u>(12,100,339)</u>	<u>(1,647,028)</u>	<u>40,609</u>	<u>(13,706,758)</u>
Total capital assets being depreciated, net	<u>9,788,909</u>	<u>(1,444,319)</u>	<u>-</u>	<u>8,344,590</u>
Governmental activities, net	<u>\$ 12,167,664</u>	<u>\$(1,311,436)</u>	<u>\$ -</u>	<u>\$ 10,856,228</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 979,313	\$ -	\$ -	\$ 979,313
Construction in progress	2,620,629	465,069	(1,390,070)	1,695,628
Total capital assets not being depreciated	<u>3,599,942</u>	<u>465,069</u>	<u>(1,390,070)</u>	<u>2,674,941</u>
Capital assets being depreciated				
Buildings	86,000	-	-	86,000
Improvements other than buildings	44,614,057	105,124	1,390,070	46,109,251
Machinery and equipment	6,331,802	152,750	-	6,484,552
Total capital assets being depreciated	<u>51,031,859</u>	<u>257,874</u>	<u>1,390,070</u>	<u>52,679,803</u>
Less accumulated depreciation				
Buildings	(25,433)	(11,200)	-	(36,633)
Improvements other than buildings	(24,306,406)	(2,424,224)	-	(26,730,630)
Machinery and equipment	(2,459,474)	(84,683)	-	(2,544,157)
Total accumulated depreciation	<u>(26,791,313)</u>	<u>(2,520,107)</u>	<u>-</u>	<u>(29,311,420)</u>
Total capital assets being depreciated, net	<u>24,240,546</u>	<u>(2,262,233)</u>	<u>1,390,070</u>	<u>23,368,383</u>
Business-type activities, net	<u>\$ 27,840,488</u>	<u>\$(1,797,164)</u>	<u>\$ -</u>	<u>\$ 26,043,324</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

5. CHANGES IN CAPITAL ASSETS – CONTINUED

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

Governmental activities

General government	\$ 895,191
Public safety	322,224
Transportation	29,929
Culture and recreation	399,684
	\$ 1,647,028
Total depreciation expense – governmental activities	\$ 1,647,028

Business-type activities

Natural gas	\$ 168,473
Water and sewer	2,029,100
Sanitation	22,282
Sundial utilities	266,297
Non-major	33,955
	\$ 2,520,107
Total depreciation expense – business-type activities	\$ 2,520,107

Construction Commitments

The City has active construction projects as of September 30, 2015:

	Spent to Date	Remaining Commitment
Projects		
Governmental Activities		
Canal Street	\$ 13,840	\$ 750,000
Business-Type Activities		
East Milton Wastewater Treatment Plant Engineering	1,600,955	-
Whiting Field	82,170	67,830
Berryhill Lift Station	2,823	77,417
Ward Basin	9,680	4,120
	\$ 1,709,468	\$ 899,367

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, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees' Retirement Plan (GERP)

Plan Description

The General Employees' Retirement Plan (GERP) is administered by a Board of Trustees (General Board) comprised of: a) two legal residents appointed by the City Council and b) three members of the plan. All Board Members serve three-year terms. Full-time employees who are classified as fulltime General Employees of the City enter the Plan on January 1 or July 1 after 6 months of employment.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	43
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	<u>57</u>
	<u><u>105</u></u>

Benefits Provided

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

Funding Policy and Contributions

Both the City and the employees (at a rate of 10.0% of payroll) make contributions to the Plan. For fiscal year 2015, employees contributed \$211,695 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2015 was 21.9% of payroll. The annual required contributions for the current fiscal year was determined as part of the October 1, 2012 actuarial valuation updated to September 30, 2013 using the entry age normal actuarial cost method.

Net Pension Liability

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City's accounting for pension amounts. The information below is presented in accordance with this new standard.

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees’ Retirement Plan (GERP) – Continued

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%
Discount Rate	8.00%
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 five 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>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash or Cash Equivalents	0.50%	0.00%
Domestic Bonds	42.50%	2.70%
Domestic Equity	47.00%	7.95%
International Equity	10.00%	8.00%
Total	<u>100%</u>	

Net Pension Liability of the Sponsor – Discount Rate

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees' Retirement Plan (GERP) – Continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2014 (Valuation Date of 9/30/2013)	\$ 13,525,744	\$ 11,487,958	\$ 2,037,786
Changes:			
Service cost	299,907	-	299,907
Interest	1,073,644	-	1,073,644
Change in excess state money	-	-	-
Contributions – employer	-	515,239	(515,239)
Contributions – employee	-	216,487	(216,487)
Net investment income	-	1,056,606	(1,056,606)
Benefit payments, including refunds of employee contributions	(810,211)	(810,211)	-
Administrative expenses	-	(30,596)	30,596
Net changes	<u>563,340</u>	<u>947,525</u>	<u>(384,185)</u>
Balances at September 30, 2015 (Measurement Date of 9/30/2014)	<u>\$ 14,089,084</u>	<u>\$ 12,435,483</u>	<u>\$ 1,653,601</u>

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

	1% Decrease	Current Discount	1% Increase
	7.00%	Rate 8.00%	9.00%
Sponsor's Net Pension Liability (Asset)	\$ 3,053,790	\$ 1,653,601	\$ 461,564

Pension Plan Fiduciary Net Position

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

General Employees’ Retirement Plan (GERP) – Continued

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

For the year ended September 30, 2015, the City recognized pension income of \$219,010. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 463,612	\$ -
Net difference between Projected and Actual Earnings on Pension Plan investments	-	113,546
Total	\$ 463,612	\$ 113,546

Deferred outflows of resources related to pensions of \$463,612 resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2016. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:

2016	\$ (28,386)
2017	(28,386)
2018	(28,387)
2019	(28,387)
	\$ (113,546)

Police Officers’ Retirement Plan (PORP)

Plan Description

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

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Current Receiving Benefits	12
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	15
	29

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

Benefits Provided

The plan provides retirement, termination, disability and death benefits. A member may retire at age 50 with 10 years of credited service (early retirement), at age 55 with 10 years of credited service or the completion of 20 years of credited service, regardless of age (normal retirement). Benefits become 100% vested upon completion of 6 years of credited service. Members will receive the vested portion of his or her accrued benefit payable at the otherwise normal retirement date. The plan provides a retirement benefit for normal retirement of 3.1% of average final compensation times credited service for the first 15 years of credited service and 3.75% average final compensation times credited service for all years of service after 15 years. Normal retirees only receive a \$200 per month supplement from date of retirement to age 65. Benefits for early retirement are accrued benefit, reduced 3% for each year prior to normal retirement. Varied benefits exist for disability and pre-retirement death.

Funding Policy and Contributions

The City, the State of Florida, and employees (at 6.0% of payroll) make contributions to the Plan. For fiscal year 2015, employees contributed \$92,468 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 10.1% of total projected payroll. For fiscal year 2015, the State contributed \$80,630 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2015 was 23.2% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2013 actuarial valuation using the entry age normal actuarial cost method.

Net Pension Liability

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City’s accounting for pension amounts. The information below is presented in accordance with this new standard.

The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

Net Pension Liability of the Sponsor – Actuarial Assumptions

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

Inflation	3.00%
Salary Increases	Service Based
Discount Rate	8.00%
Investment Rate of Return	8.00%

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

Net Pension Liability of the Sponsor – Actuarial Assumptions – Continued

Mortality rate for healthy males is RP-2000 generational, 50% annuitant white collar/50% annuitant blue collar, and scale BB. Mortality rate for healthy females is RP-2000 generational, 100% annuitant white collar, and scale BB. Mortality rate for disabled males is 60% RP-2000 disabled male setback four years/40% annuitant white collar with no setback, and no projection scale. Mortality rate for disabled females is 60% RP-2000 disabled female set forward two years/ 40% annuitant white collar with no setback and no projection scale. This is the required mortality assumption for actuarial valuations under the Laws of Florida, beginning October 1, 2016.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 2009-2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.95%
International Equity	10%	8.00%
Domestic Bonds	45%	2.70%
Total	<u>100%</u>	

Net Pension Liability of the Sponsor – Discount Rate:

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers' Retirement Plan (PORP) – Continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2014 (Valuation Date of 9/30/2013)	\$ 5,962,505	\$ 6,284,153	\$ (321,648)
Changes:			
Service cost	207,626	-	207,626
Interest	481,214	-	481,214
Difference between projected and actual earnings	-	31,192	(31,192)
Changes of assumptions	-	-	-
Contributions – employer	-	165,216	(165,216)
Contributions – state	-	79,290	(79,290)
Contributions – employee	-	45,594	(45,594)
Net investment income	-	504,592	(504,592)
Benefit payments, including			
Refunds of employee contributions	(204,802)	(204,802)	-
Administrative expenses	-	(38,805)	38,805
Net changes	<u>484,038</u>	<u>582,277</u>	<u>(98,239)</u>
Balances at September 30, 2015 (Measurement Date of 9/30/2014)	<u>\$ 6,446,543</u>	<u>\$ 6,866,430</u>	<u>\$ (419,887)</u>

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

	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability (Asset)	\$ 341,483	\$ (419,887)	\$ (882,275)

Pension Plan Fiduciary Net Position

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Police Officers’ Retirement Plan (PORP) – Continued

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

For the year ended September 30, 2015, the City recognized pension income of \$537. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 92,468	\$ -
Net difference between Projected and Actual Earnings on Pension Plan investments	-	24,953
Total	\$ 92,468	\$ 24,953

Deferred outflows of resources related to pensions of \$92,468 resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2016. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (6,238)
2017	(6,238)
2018	(6,238)
2019	(6,239)
	\$ (24,953)

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP)

Plan Description

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

Plan Membership as of October 1, 2014:

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

Benefits Provided

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

Funding Policy and Contributions

The City, the State of Florida, and employees (at 6.5% of payroll) make contributions to the Plan. For fiscal year 2015, employees contributed \$71,505 to the Plan. The State of Florida makes contributions based on an actuarially determined rate of 13.6% of total projected payroll. For fiscal year 2015, the State contributed \$71,505 to the Plan. The City is required to contribute at an actuarially determined rate: the contribution rate for 2015 was 37.1% of payroll. The annual required contribution for the current fiscal year was determined as part of the October 1, 2012 actuarial valuation updated to September 30, 2013 using the entry age normal actuarial cost method.

Net Pension Liability

Effective October 1, 2014, the City implemented provisions of GASB Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27*, which significantly changed the City’s accounting for pension amounts. The information below is presented in accordance with this new standard.

The City’s net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP) – Continued

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	6.00%
Discount rate	7.75%
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Table with no projection, set forward 5 years for Disability Retirees. Based on other studies of municipal firefighters, we feel this assumption sufficiently accommodates 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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.95%
International Equity	15%	8.00%
Domestic Bonds	40%	2.70%
Total	<u>100%</u>	

Net Pension Liability of the Sponsor – Discount Rate

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP) – Continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2014 (Valuation Date of 9/30/2013)	\$ 7,095,774	\$ 3,549,423	\$ 3,546,351
Changes:			
Service cost	114,365	-	114,365
Interest	544,624	-	544,624
Change in excess state money	-	-	-
Contributions – employer	-	247,125	(247,125)
Contributions – state	-	85,115	(85,115)
Contributions – employee	-	43,983	(43,983)
Net investment income	-	427,274	(427,274)
Benefit payments, including			
Refunds of employee contributions	(364,527)	(364,527)	-
Administrative expenses	-	(14,201)	14,201
Net changes	294,462	424,769	(130,307)
Balances at September 30, 2015 (Measurement Date of 9/30/2014)	<u>\$ 7,390,236</u>	<u>\$ 3,974,192</u>	<u>\$ 3,416,044</u>

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

	Current Discount		
	1% Decrease 7.00%	Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability (Asset)	\$ 4,256,621	\$ 3,416,044	\$ 2,711,347

Pension Plan Fiduciary Net Position

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fire Fighters’ Retirement Plan (FRP) – Continued

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

For the year ended September 30, 2015, the City recognized pension expense of \$34,016. On September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 272,667	\$ -
Net difference between Projected and Actual Earnings on Pension Plan investments	-	121,833
Total	\$ 272,667	\$ 121,833

Deferred outflows of resources related to pensions of \$272,667 resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending September 30, 2016. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (30,458)
2017	(30,458)
2018	(30,458)
2019	(30,459)
	\$ (121,833)

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements

The following are the financial statements for the individual pension trust funds (GERP, PORP, FRP) for the year ended September 30, 2015.

COMBINING STATEMENT OF PLAN NET POSITION

	Employee Retirement Funds			Total Employee Retirement Plans
	General Employees' Retirement Plan	Police Officers' Retirement Plan	Firefighters' Retirement Plan	
ASSETS				
Cash and cash equivalents	\$ 234,600	\$ 551,074	\$ 393,909	\$ 1,179,583
Investments, at market	11,927,609	6,315,675	3,403,765	21,647,049
Due from State of Florida	-	-	-	-
TOTAL ASSETS	<u>\$ 12,162,209</u>	<u>\$ 6,866,749</u>	<u>\$ 3,797,674</u>	<u>\$ 22,826,632</u>
FIDUCIARY NET POSITION	<u>\$ 12,162,209</u>	<u>\$ 6,866,749</u>	<u>\$ 3,797,674</u>	<u>\$ 22,826,632</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Fund Financial Statements – Continued

	COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION			
	Employee Retirement Funds			Total Employee Retirement Plans
	General Employees' Retirement Plan	Police Officers' Retirement Plan	Firefighters' Retirement Plan	
ADDITIONS				
Contributions				
Employer	\$ 463,865	\$ 92,468	\$ 255,884	\$ 812,217
Plan members	211,695	60,239	44,832	316,766
State of Florida	-	80,630	71,505	152,135
Total contributions	<u>675,560</u>	<u>233,337</u>	<u>372,221</u>	<u>1,281,118</u>
Investment income (loss)	243,431	135,379	(169,337)	209,473
Less investment expense	<u>(120,760)</u>	<u>(98,508)</u>	<u>(62,977)</u>	<u>(282,245)</u>
Net investment income (loss)	<u>122,671</u>	<u>36,871</u>	<u>(232,314)</u>	<u>(72,772)</u>
TOTAL ADDITIONS	<u>798,231</u>	<u>270,208</u>	<u>139,907</u>	<u>1,208,346</u>
DEDUCTIONS				
Benefits and refunds paid				
Retirement payments	<u>1,079,979</u>	<u>249,463</u>	<u>361,274</u>	<u>1,690,716</u>
NET INCREASE (DECREASE)	(281,748)	20,745	(221,367)	(482,370)
FIDUCIARY NET POSITION AT BEGINNING OF YEAR	<u>12,443,957</u>	<u>6,846,004</u>	<u>4,019,041</u>	<u>23,309,002</u>
FIDUCIARY NET POSITION AT END OF YEAR	<u>\$ 12,162,209</u>	<u>\$ 6,866,749</u>	<u>\$ 3,797,674</u>	<u>\$ 22,826,632</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. DEFERRED COMPENSATION PLAN

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

In accordance with GASB Statement No. 32, the assets and liabilities of the Plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the Plan.

Assets of the Plan have a fair value of \$709,769 at September 30, 2015. Contributions and distributions made during the fiscal year ended September 30, 2015, were \$85,651 and \$8,050, respectively. The Plan had net earnings of \$77,601.

8. RISK MANAGEMENT

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

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

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

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenues note payable	\$ 946,905	\$ -	\$ (197,561)	\$ 749,344	\$ 204,649
Capital leases	253,333	-	(81,231)	172,102	84,416
Compensated absences	407,287	469,528	(470,249)	406,566	361,001
Total governmental activities	<u>\$ 1,607,525</u>	<u>\$ 469,528</u>	<u>\$ (749,041)</u>	<u>\$ 1,328,012</u>	<u>\$ 650,066</u>
Business-type activities					
Note payable	\$ 307,852	\$ -	\$ (20,532)	\$ 287,320	\$ 287,320
Revenue notes payable	3,802,786	-	(311,225)	3,491,561	321,576
State revolving loans payable	4,194,806	295,302	(149,343)	4,340,765	234,476
Compensated absences	173,075	201,719	(203,123)	171,671	152,591
Total business-type activities	<u>\$ 8,478,519</u>	<u>\$ 497,021</u>	<u>\$ (684,223)</u>	<u>\$ 8,291,317</u>	<u>\$ 995,963</u>

Description of Long-Term Debt Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
<i>Revenue Note Payable</i>			
Revenue note payable incurred for financing various capital projects, bearing interest at 3.56%. Principal and interest payments of \$57,237 are made quarterly, until maturity on March 15, 2019. Note is secured by pledged tax revenues.	\$ 204,649	\$ 544,695	\$ 749,344
<i>Capital Lease</i>			
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.	84,416	87,686	172,102
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	361,001	45,565	406,566
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 650,066</u>	<u>\$ 677,946</u>	<u>\$ 1,328,012</u>

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Notes Payable</i>			
<u>Water and Sewer</u>			
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 ranging from \$42,971 to \$48,586 are made quarterly, until maturity on June 15, 2019. The note is secured by water and sewer revenues.	\$ 168,368	\$ 499,186	\$ 667,554
 <u>Natural Gas</u>			
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 ranging from \$5,311 to \$6,005 are made quarterly, until maturity on June 15, 2019. The note is secured by natural gas revenues.	20,809	61,697	82,506
 <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.	132,399	2,609,102	2,741,501
Total revenue notes payable	321,576	3,169,985	3,491,561
 <i>State Revolving Loans Payable</i>			
<u>Water and Sewer</u>			
State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.46%; semi annual payments, including capitalized interest, of \$77,931 through March 15, 2027. Total approved loan is for \$14,916,418 for the purpose of improvements to the City's wastewater collection and treatment facilities. Amount outstanding includes capitalized interest of \$293,803.	118,383	1,434,557	1,552,940

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES – CONTINUED			
<i>Water and Sewer – Continued</i>			
<i>State Revolving Loans Payable – Continued</i>			
<p>State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.58%; semi annual payments of \$47,412, including capitalized interest, began January 15, 2015, maturing March 15, 2035. Total approved loan is for \$1,337,855, of which \$1,445,869 is outstanding at September 30, 2015. Amount outstanding includes capitalized interest of \$109,651.</p>	57,891	1,387,978	1,445,869
<p>State of Florida Department of Environmental Protection State Revolving Loan Fund; interest at 2.09%, semi annual payments of 42,968, including capitalized interest, began March 15, 2015, maturing September 15, 2034. Total approved loan is for \$1,355,338, of which \$1,341,956 is outstanding at September 30, 2015. Amount outstanding includes capitalized interest of \$18,350.</p>	58,202	1,283,754	1,341,956
Total state revolving loans payable	234,476	4,106,289	4,340,765
 <i>Note payable</i>			
<i>Marina</i>			
<p>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.</p>	287,320	-	287,320
<i>Accrued Compensated Absences</i>			
<p>Accumulated, vested annual compensation for Proprietary Funds</p>	152,591	19,080	171,671
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 995,963	\$ 7,295,354	\$ 8,291,317
GRAND TOTAL LONG-TERM DEBT			\$ 9,619,329

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2015, are as follows:

Governmental Activities

Year Ending September 30	Note Payable		Capital Lease	
	Principal	Interest	Principal	Interest
2016	\$ 204,649	\$ 24,061	\$ 84,416	\$ 5,559
2017	212,301	16,647	87,686	2,824
2018	219,984	8,964	-	-
2019	112,410	1,510	-	-
Total	<u>\$ 749,344</u>	<u>\$ 51,182</u>	<u>\$ 172,102</u>	<u>\$ 8,383</u>

Business-Type Activities

Year Ending September 30	Note Payable		State Revolving Loans		Revenue Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 287,320	\$ 8,434	\$ 234,476	\$ 102,146	\$ 321,576	\$ 66,087
2017	-	-	240,132	96,490	332,343	57,808
2018	-	-	245,925	90,697	343,534	49,215
2019	-	-	251,858	84,764	295,212	40,334
2020	-	-	257,936	119,244	141,189	35,622
2021-2025	-	-	1,386,134	296,978	741,004	143,052
2026-2030	-	-	995,734	141,860	803,002	81,054
2031-2035	-	-	728,570	41,882	513,701	16,733
Total	<u>\$ 287,320</u>	<u>\$ 8,434</u>	<u>\$ 4,340,765</u>	<u>\$ 974,061</u>	<u>\$ 3,491,561</u>	<u>\$ 489,905</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, 2015). 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, 2015.

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 2016-2017. The rental income for the fiscal year ending September 30, 2015, was \$130,654.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

11. RENTAL ACTIVITIES – CONTINUED

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

2016	\$	158,154
2017		160,887
Total	\$	319,041

12. CAPITAL CONTRIBUTIONS

For the year ended September 30, 2015, the Water and Sewer Fund had \$440,943 of capital contributions related to impact fees.

13. INTERFUND BALANCES

The composition of interfund balances as of September 30, 2015, is as follows:

Transfers Out	Transfers In				
	Governmental Activities		Business-Type Activities		
	General	Non-Major	Water and Sewer	Non-Major	Total
General	\$ -	\$ 590,460	\$ -	\$ -	\$ 590,460
Non-Major Governmental	55,000	-	-	-	55,000
Natural Gas	1,383,994	-	-	105,276	1,489,270
Water and Sewer	2,819,232	-	-	-	2,819,232
Sanitation	249,994	-	-	-	249,994
Sundial Utilities	2,842	-	10,000	-	12,842
Non-Major Proprietary	56,500	-	-	-	56,500
	\$ 4,567,562	\$ 590,460	\$ 10,000	\$ 105,276	\$ 5,273,298

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

14. POST-EMPLOYEE HEALTHCARE BENEFITS

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, 2014.

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

14. POST-EMPLOYEE HEALTHCARE BENEFITS – CONTINUED

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 13 retirees receiving health care benefits. Annual required contributions amounted to \$210,355 for the current fiscal year, towards which the City made implied and actual contributions of \$248,528. The City has a net OPEB asset of \$50,359, which has not been recorded in the accompanying financial statements due to its immaterial nature.

Membership

Membership consisted of:

Retirees currently receiving benefits	13
Retired employees entitled to benefits but not receiving them	134
	147
	1
Participating employers	

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, 2015**

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>9/30/2014</u>	<u>9/30/2015</u>
Annual required contributions	\$ 231,448	\$ 210,355
Interest on net OPEB obligation	11,512	1,415
Adjustment to annual required contribution	<u>(9,750)</u>	<u>(1,199)</u>
Annual OPEB cost (expense) total	233,210	210,571
Expected implicit benefit payments	-	(31,048)
Employer contributions	<u>(243,306)</u>	<u>(247,572)</u>
Decrease in net OPEB obligation	(10,096)	(68,049)
Net OPEB obligation at beginning of year	143,906	133,810
Adjustment for implicit benefit payments	<u>-</u>	<u>(116,120)</u>
Net OPEB obligation (asset) at end of year	<u>\$ 133,810</u>	<u>\$ (50,359)</u>

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

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

	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation (asset)</u>
September 30, 2015	\$ 210,571	132.3%	\$ (50,359)
September 30, 2014	233,210	104.3%	133,810
September 30, 2013	256,747	93.6%	143,906

Funded Status and Funding Progress

As of September 30, 2014, the unfunded actuarial accrued liability for benefits was \$1,193,923. The covered payroll (annual payroll of active employees covered by the plan) was \$5,399,044, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.1%.

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, 2015**

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 (8.0% in fiscal year 2015). 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.

15. GOVERNMENTAL FUND BALANCES

As of September 30, 2015, governmental fund balances consisted of the following:

	9/30/2015
Nonspendable fund balances	
Inventory	\$ 143,502
Prepaid items	292
	\$ 143,794
 Restricted fund balances	
Capital projects	\$ 429,101
Public safety	8,417
Downtown redevelopment	72,765
	\$ 510,283
 Assigned fund balances	
	\$ 696,777
 Unassigned fund balances	
	\$ 3,283,860

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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. PRIOR PERIOD ADJUSTMENTS

During the current fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which resulted in a restatement to record the City's net pension liability as of October 1, 2014 within both Governmental Activities as well as Business-Type Activities. In addition, the City identified an error in previously unrecorded depreciation on its capital assets of the Governmental Activities and Business-Type Activities (the Sanitation Fund). This occurred as the result in an error in the calculation of depreciation of certain capital assets. As a result, beginning Governmental Activities and Business-Type Activities (Sanitation Fund) were restated as follows:

Aspects of Governmental Activities was restated as follows:

	Governmental Activities
Net Position	
Net Position September 30, 2014, as Previously Reported	\$ 15,504,929
Adjustment to Implement GASB Statements 68 and 71	(4,157,566)
Adjustment to Recognize Unrecorded Depreciation in Prior Years	(769,725)
Net Position, October 1, 2014, as Restated	\$ 10,577,638
Capital Assets	
Net Capital Assets September 30, 2014, as Previously Reported	\$ 12,937,389
Adjustment to Recognize Unrecorded Depreciation in Prior Years	(769,725)
Net Capital Assets, October 1, 2014, as Restated	\$ 12,167,664

**CITY OF MILTON, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

17. PRIOR PERIOD ADJUSTMENTS – CONTINUED

Aspects of Business-Type Activities and the major enterprise funds were restated as follows:

	Business-Type Activities	Major Funds		
		Natural Gas Fund	Water and Sewer Fund	Sanitation Fund
Net Position				
Net Position September 30, 2014, as Previously Reported	\$ 28,656,215	\$ 2,362,386	\$ 25,117,695	\$ 614,805
Adjustment to Implement GASB Statements 68 and 71	(440,524)	(97,833)	(233,845)	(48,847)
Adjustment to Recognize Unrecorded Depreciation in Prior Years	(127,488)	-	-	(127,488)
Net Position, October 1, 2014, as Restated	\$ 28,088,203	\$ 2,264,553	\$ 24,883,850	\$ 438,470
Capital Assets				
Net Capital Assets September 30, 2014, as Previously Reported	\$ 27,967,976	\$ 773,931	\$ 23,642,517	\$ 239,938
Adjustment to Recognize Unrecorded Depreciation in Prior Years	(127,488)	-	-	(127,488)
Net Capital Assets, October 1, 2014, as Restated	\$ 27,840,488	\$ 773,931	\$ 23,642,517	\$ 112,450

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date	2014	2013
Total Pension Liability		
Service cost	\$ 299,907	\$ 277,692
Interest	1,073,644	1,025,082
Differences between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	<u>(810,211)</u>	<u>(625,717)</u>
Net change in total pension liability	563,340	677,057
Total pension liability – beginning	<u>13,525,744</u>	<u>12,848,687</u>
Total pension liability – ending (a)	<u><u>\$ 14,089,084</u></u>	<u><u>\$ 13,525,744</u></u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 515,239	\$ 431,650
Contributions – member	216,487	212,636
Net investment income	1,056,606	1,289,483
Benefit payments, including refunds of employee contributions	(810,211)	(625,717)
Administrative expenses	<u>(30,596)</u>	<u>(22,136)</u>
Net change in plan fiduciary net position	947,525	1,285,916
Plan fiduciary net position – beginning	<u>11,487,958</u>	<u>10,202,042</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 12,435,483</u></u>	<u><u>\$ 11,487,958</u></u>
Net pension liability – ending (a)-(b)	<u><u>\$ 1,653,601</u></u>	<u><u>\$ 2,037,786</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.26%	84.93%
Covered employee payroll	\$ 2,164,868	\$ 2,126,357
Net pension liability as a percentage of covered employee payroll	76.38%	95.83%

Notes to schedule:

This information is not available for previous years
Benefit changes: No changes in benefits
Changes in assumptions: No changes in assumptions

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

Measurement Date	2014	2013
Total Pension Liability		
Service cost	\$ 207,626	\$ 192,246
Interest	481,214	445,254
Differences between expected and actual experience	-	-
Changes of assumptions [^]	-	-
Benefit payments, including refunds of employee contributions	(204,802)	(201,946)
Net change in total pension liability	484,038	435,554
Total pension liability – beginning	5,962,505	5,526,951
Total pension liability – ending (a)	<u>\$ 6,446,543</u>	<u>\$ 5,962,505</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 165,216	\$ 185,276
Contributions – state	79,290	82,512
Contributions – member	45,594	48,250
Net investment income	535,784	695,949
Benefit payments, including refunds of employee contributions	(204,802)	(201,946)
Administrative expenses	(38,805)	(32,153)
Net change in plan fiduciary net position	582,277	777,888
Plan fiduciary net position – beginning	6,284,153	5,506,265
Plan fiduciary net position – ending (b)	<u>\$ 6,866,430</u>	<u>\$ 6,284,153</u>
Net pension liability – ending (a)-(b)	<u>\$ (419,887)</u>	<u>\$ (321,648)</u>
Plan fiduciary net position as a percentage of the total pension liability	106.51%	105.39%
Covered employee payroll	\$ 733,479	\$ 804,168
Net pension liability as a percentage of covered employee payroll	-57.25%	-40.00%

Notes to schedule:

This information is not available for previous years

Benefit changes: No changes in benefits

Changes in assumptions: No changes in assumptions

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

Measurement Date	2014	2013
Total Pension Liability		
Service cost	\$ 114,365	\$ 106,139
Interest	544,624	523,391
Differences between expected and actual experience	-	-
Benefit payments, including refunds of employee contributions	<u>(364,527)</u>	<u>(363,052)</u>
Net change in total pension liability	294,462	266,478
Total pension liability – beginning	<u>7,095,774</u>	<u>6,829,296</u>
Total pension liability – ending (a)	<u><u>\$ 7,390,236</u></u>	<u><u>\$ 7,095,774</u></u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 247,125	\$ 188,126
Contributions – state	85,115	92,339
Contributions – member	43,983	41,551
Net investment income	427,274	252,199
Benefit payments, including refunds of employee contributions	(364,527)	(363,052)
Administrative expenses	<u>(14,201)</u>	<u>(16,577)</u>
Net change in plan fiduciary net position	424,769	194,586
Plan fiduciary net position – beginning	<u>3,549,423</u>	<u>3,354,837</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 3,974,192</u></u>	<u><u>\$ 3,549,423</u></u>
Net pension liability – ending (a)-(b)	<u><u>\$ 3,416,044</u></u>	<u><u>\$ 3,546,351</u></u>
Plan fiduciary net position as a percentage of the total pension liability	53.78%	50.02%
Covered employee payroll	\$ 676,661	\$ 639,252
Net pension liability as a percentage of covered employee payroll	504.84%	554.77%

Notes to schedule:

This information is not available for previous years

Benefit changes: No changes in benefits

Changes in assumptions: No changes in assumptions

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>General Employees' Retirement Plan</u>										
Actuarially determined contribution	\$ 463,611	\$ 515,239	\$ 431,650	\$ 350,068	\$ 263,193	\$ 212,522	\$ 146,590	\$ 150,416	\$ 176,965	\$ 147,299
Contributions in relation to the actuarially determined contributions	<u>463,611</u>	<u>515,239</u>	<u>431,650</u>	<u>350,068</u>	<u>263,193</u>	<u>212,522</u>	<u>182,014</u>	<u>157,672</u>	<u>176,965</u>	<u>159,446</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,424)</u>	<u>\$ (7,256)</u>	<u>\$ -</u>	<u>\$ (12,147)</u>
Covered employee payroll*	\$ 2,534,951	\$ 2,164,868	\$ 2,164,868	\$ 2,147,539	\$ 2,212,864	\$ 2,310,954	\$ 2,470,351	\$ 2,489,102	\$ 2,243,608	\$ 2,265,681
Net pension liability as a percentage of covered employee payroll	18.29%	23.80%	19.94%	16.30%	11.89%	9.20%	7.37%	6.33%	7.89%	7.04%
<u>Police Officers' Retirement Plan</u>										
Actuarially determined contribution	\$ 158,624	\$ 244,248	\$ 267,788	\$ 247,022	\$ 228,650	\$ 190,324	\$ 114,610	\$ 127,653	\$ 149,671	\$ 118,430
Contributions in relation to the actuarially determined contributions	<u>173,098</u>	<u>244,506</u>	<u>267,788</u>	<u>247,022</u>	<u>228,650</u>	<u>190,324</u>	<u>114,610</u>	<u>130,970</u>	<u>149,671</u>	<u>118,430</u>
Contribution deficiency (excess)	<u>\$ (14,474)</u>	<u>\$ (258)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,317)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll*	\$ 892,823	\$ 733,479	\$ 2,164,868	\$ 760,984	\$ 853,431	\$ 836,238	\$ 789,029	\$ 750,271	\$ 726,635	\$ 734,834
Net pension liability as a percentage of covered employee payroll	19.39%	33.34%	12.37%	32.46%	26.79%	22.76%	14.53%	17.46%	20.60%	16.12%
<u>Firefighters' Retirement Plan</u>										
Actuarially determined contribution	\$ 349,687	\$ 332,240	\$ 279,992	\$ 216,366	\$ 203,499	\$ 203,450	\$ 97,209	\$ 102,006	\$ 96,527	\$ 45,759
Contributions in relation to the actuarially determined contributions	<u>349,687</u>	<u>332,240</u>	<u>279,992</u>	<u>214,366</u>	<u>203,499</u>	<u>203,449</u>	<u>105,899</u>	<u>108,986</u>	<u>96,527</u>	<u>95,726</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (8,690)</u>	<u>\$ (6,980)</u>	<u>\$ -</u>	<u>\$ (49,967)</u>
Covered employee payroll*	\$ 811,423	\$ 676,661	\$ 2,126,357	\$ 657,941	\$ 655,402	\$ 739,015	\$ 728,150	\$ 654,729	\$ 596,472	\$ 539,174
Net pension liability as a percentage of covered employee payroll	43.10%	49.10%	13.17%	32.58%	31.05%	27.53%	14.54%	16.65%	16.18%	17.75%

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

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

Valuation Date: October 1, 2013

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: 24 Years (as of 10/01/2013)

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. Disabled lives are set forward 5 years.

Other information:

Termination and Disability Rate Table

Age	% Terminating During the Year	% Becoming 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, 2013

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 Years (as of 10/01/2013)

Asset valuation method:

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

Inflation: 3.0% per year

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

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

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

Payroll increase: 3.00% per year

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

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

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

Termination rates: See table below.

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

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

Other Information:

<u>Termination and Disability Rate Table</u>		
Age	% Terminating During the Year	% Becoming Disabled During the
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, 2013

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

Methods and Assumptions Used to Determine Contribution Rates:

Funding method: Entry Age Normal Actuarial Cost Method

Amortization method: Level Percentage of Pay, Closed

Remaining amortization period: 30 Years (as of 10/01/2013 valuation)

Asset valuation method:

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

Inflation: 3.0% per year

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

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

Payroll growth: 10-year historical average of the actual payroll growth, limited to 5.0% per year (limited to 2.38% for 10/1/2013)

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

Termination rates: See table below.

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

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%

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percentage Funded	Annual Covered Payroll (c)	UAAL as % of Payroll [c/(b-a)]
October 1, 2014	\$1,372,795	\$ 2,566,718	\$ 1,193,923	53.48%	\$ 5,399,044	22.11%
October 1, 2013	1,119,732	2,600,537	1,480,805	43.06%	5,543,514	26.71%
October 1, 2012	844,514	2,899,263	2,054,749	29.13%	5,277,738	38.93%

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, 2015**

	<u>Special Revenue Funds</u>					Total Nonmajor Governmental Funds
	Police Special Investigation	Downtown Redevelopment	Red Light Camera	Debt Service	Capital Projects	
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 356,303	\$ -	\$ 356,303
Accounts receivable	-	-	500	-	-	500
Prepaid items	-	292	-	-	-	292
Restricted cash	7,917	77,469	10,313	-	299,626	395,325
TOTAL ASSETS	\$ 7,917	\$ 77,761	\$ 10,813	\$ 356,303	\$ 299,626	\$ 752,420
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ -	\$ 418	\$ 10,313	\$ -	\$ -	\$ 10,731
Unearned revenue	-	4,286	-	-	-	4,286
Total liabilities	-	4,704	10,313	-	-	15,017
Fund balance						
Nonspendable	-	292	-	-	-	292
Restricted						
Capital projects	-	-	-	-	299,626	299,626
Public safety	7,917	-	500	-	-	8,417
Downtown redevelopment	-	72,765	-	-	-	72,765
Assigned	-	-	-	356,303	-	356,303
Total fund balance	7,917	73,057	500	356,303	299,626	737,403
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,917	\$ 77,761	\$ 10,813	\$ 356,303	\$ 299,626	\$ 752,420

**CITY OF MILTON, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Special Revenue Funds</u>					Nonmajor Governmental Funds
	<u>Police Special Investigation</u>	<u>Downtown Redevelopment</u>	<u>Red Light Camera</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
REVENUES						
Intergovernmental	\$ -	\$ 40,571	\$ -	\$ -	\$ -	\$ 40,571
Charges for services	-	33,435	-	-	-	33,435
Fines and forfeits	367	-	191,501	-	-	191,868
Miscellaneous	8	45	2,322	180	35	2,590
Total revenues	<u>375</u>	<u>74,051</u>	<u>193,823</u>	<u>180</u>	<u>35</u>	<u>268,464</u>
EXPENDITURES						
Current						
Public safety	2,236	-	193,823	-	-	196,059
Economic environment	-	41,055	-	-	-	41,055
Capital outlay						
General governmental services	-	1,862	-	-	-	1,862
Debt service						
Principal	-	-	-	278,793	-	278,793
Interest	-	-	-	40,119	-	40,119
Total expenditures	<u>2,236</u>	<u>42,917</u>	<u>193,823</u>	<u>318,912</u>	<u>-</u>	<u>557,888</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,861)</u>	<u>31,134</u>	<u>-</u>	<u>(318,732)</u>	<u>35</u>	<u>(289,424)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	21,548	-	318,912	250,000	590,460
Transfers out	-	(55,000)	-	-	-	(55,000)
Total other financing sources (uses)	<u>-</u>	<u>(33,452)</u>	<u>-</u>	<u>318,912</u>	<u>250,000</u>	<u>535,460</u>
NET CHANGE IN FUND BALANCE	<u>(1,861)</u>	<u>(2,318)</u>	<u>-</u>	<u>180</u>	<u>250,035</u>	<u>246,036</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>9,778</u>	<u>75,375</u>	<u>500</u>	<u>356,123</u>	<u>49,591</u>	<u>491,367</u>
FUND BALANCE AT END OF YEAR	<u>\$ 7,917</u>	<u>\$ 73,057</u>	<u>\$ 500</u>	<u>\$ 356,303</u>	<u>\$ 299,626</u>	<u>\$ 737,403</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, 2015**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 415,037	\$ 16,796	\$ 431,833
Receivables, net	37,433	1,600	39,033
Total current assets	<u>452,470</u>	<u>18,396</u>	<u>470,866</u>
Capital assets			
Non-depreciable	3,000	435,000	438,000
Depreciable, net	133,132	59,941	193,073
Total capital assets	<u>136,132</u>	<u>494,941</u>	<u>631,073</u>
TOTAL ASSETS	<u>588,602</u>	<u>513,337</u>	<u>1,101,939</u>
LIABILITIES			
Current liabilities			
Accounts payable	1,169	948	2,117
Note payable	-	287,320	287,320
TOTAL LIABILITIES	<u>1,169</u>	<u>288,268</u>	<u>289,437</u>
NET POSITION			
Net investment in capital assets	136,132	207,621	343,753
Unrestricted	451,301	17,448	468,749
TOTAL NET POSITION	<u>\$ 587,433</u>	<u>\$ 225,069</u>	<u>\$ 812,502</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, 2015**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
OPERATING REVENUES			
Charges for services	\$ 227,419	\$ -	\$ 227,419
OPERATING EXPENSES			
Operating	38,703	7,180	45,883
Depreciation	20,729	13,226	33,955
Total operating expenses	59,432	20,406	79,838
OPERATING INCOME (LOSS)	167,987	(20,406)	147,581
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	37,169	42,287	79,456
Interest expense	-	(13,434)	(13,434)
Interest income	108	-	108
Miscellaneous	-	15,414	15,414
Total non-operating revenues (expenses)	37,277	44,267	81,544
INCOME BEFORE OPERATING TRANSFERS	205,264	23,861	229,125
Transfers in	105,276	-	105,276
Transfers out	(56,500)	-	(56,500)
Total transfers	48,776	-	48,776
CHANGE IN NET POSITION	254,040	23,861	277,901
NET POSITION AT BEGINNING OF YEAR	333,393	201,208	534,601
NET POSITION AT END OF YEAR	<u>\$ 587,433</u>	<u>\$ 225,069</u>	<u>\$ 812,502</u>

**CITY OF MILTON, FLORIDA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 232,852	\$ (381)	\$ 232,471
Payments to suppliers	(41,756)	(6,499)	(48,255)
Miscellaneous income	-	15,414	15,414
Net cash provided by operating activities	<u>191,096</u>	<u>8,534</u>	<u>199,630</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Due to other funds	-	(59)	(59)
Transfers in	105,276	-	105,276
Transfers out	(56,500)	-	(56,500)
Net cash provided by (used in) non-capital financing activities	<u>48,776</u>	<u>(59)</u>	<u>48,717</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental revenues	37,169	42,287	79,456
Principal paid on note payable	-	(20,532)	(20,532)
Interest paid on note payable	-	(13,434)	(13,434)
Net cash provided by capital and related financing activities	<u>37,169</u>	<u>8,321</u>	<u>45,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>108</u>	<u>-</u>	<u>108</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	277,149	16,796	293,945
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>137,888</u>	<u>-</u>	<u>137,888</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 415,037</u></u>	<u><u>\$ 16,796</u></u>	<u><u>\$ 431,833</u></u>

**CITY OF MILTON, FLORIDA
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Stormwater Fund</u>	<u>Marina Fund</u>	<u>Total Non- Major Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 167,987	\$ (20,406)	\$ 147,581
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	20,729	13,226	33,955
Miscellaneous income	-	15,414	15,414
Decrease (increase) in assets:			
Accounts receivable	5,433	(381)	5,052
Increase (decrease) in liabilities:			
Accounts payable	(3,053)	681	(2,372)
Net cash provided by operating activities	<u>\$ 191,096</u>	<u>\$ 8,534</u>	<u>\$ 199,630</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, 2015.

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, 2015.

Warren Averett, LLC

Fort Walton Beach, Florida
March 31, 2016

**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 March 31, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. [2015-01]

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.

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Compliance and Other Matters

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

City of Milton, Florida's Response to Findings

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
March 31, 2016

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Finding 2015-01: Reconcile Accounts to Supporting Documents

Criteria and Condition:

In order to make the financial reports generated by the accounting system as meaningful as possible, the City should reconcile the general ledger balance sheet accounts to supporting documentation on a monthly basis. Included in these monthly reconciliations should be the pooled cash reconciliation that reconciles from the bank balance to the general ledger balance. This reconciliation should be completed by the 20th of the following month. A benefit of timely monthly reconciliations is that errors do not accumulate but can be identified and immediately corrected, which makes it easier to perform future reconciliations. These reconciliations should be reviewed to identify any possible errors.

Context:

During our audit work surrounding the City's capital assets, it was noted that the listing of capital assets as of September 30, 2015, contains assets with a net book value yet were not being depreciated. Upon further investigation and inquiry, it was discovered that the depreciation on these significant capital assets were essentially switched off. Thus, as of the beginning of fiscal year 2015, accumulated depreciation had been materially understated in both the governmental and business-type activities of the City.

While reconciling pension balances from the fiscal year-end statements to the general ledger account balances in the fiduciary funds, an error was discovered in the Police Officers' Pension Trust Fund which caused a material adjustment being necessary.

Cause:

Both material adjustments were likely caused due to the City not having a policy requiring timely account reconciliations performed and reviewed. Had the capital asset listing and pension journal entries been prepared and reviewed timely, the likelihood of these errors being caught would have increased substantially.

Effect:

The adjustment to correct the capital assets is recorded as a prior period adjustment, as depreciation expense should have been recorded in prior years. The total adjustment was material to the City's governmental activities as well as the Sanitation Fund in the business-type activities.

The adjustment to the Police Officers' Pension Trust Fund was a material adjustment to decrease the investment balance recorded on the City's general ledger and also decrease the unrealized gain that was recorded.

Recommendation:

Our recommendation is for the City to amend its accounting policy to require account reconciliations be performed and reviewed on a monthly basis. The reconciliations should be completed by the commencement of the subsequent month. Steps should be added to the monthly close checklist to include a sign-off and date for the preparer of the reconciliations as well as the reviewer. Requiring sign-offs will lead to increased accountability among the accounting department.

**CITY OF MILTON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Finding 2015-01: Reconcile Accounts to Supporting Documents – Continued

Views of Responsible Officials and Planned Corrective Actions:

The City will continue to review current bank reconciliation procedures and set procedures for monitoring of the reconciling of the pooled cash by the 20th of each month. The City made a year-end adjustment to assets as a one-time occurrence because the previous accountant clicked on a wrong button in the asset module. The City also made an adjustment to the Police Officers' Pension Trust Fund. Again this was a one-time occurrence because the pension bought into another asset fund.

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, 2015, and have issued our report thereon dated March 31, 2016.

Auditors' Responsibility

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

Other 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*; Schedule of Findings and Responses; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports and schedule, which are dated March 31, 2016, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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, 2015. 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. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Milton, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Milton, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Milton, Florida, for the fiscal year ended September 30, 2015, 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, 2015. 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 Management's Responses 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.

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



Fort Walton Beach, Florida
March 31, 2016