

**OPEN ITEMS:**

- 1) The January 30, 2030, report date will be updated once all items have been received
- 2) Legal Letter
- 3) City's response to our findings (In the email is the prior year file provided by the City)
- 4) Completion of the GFOA disclosure checklist (attached in the email)
- 5) MD&A (In the email are the prior year files provided by the City)
- 6) Review financial statements and provide any corrections. As always these are the City's financial statements. (Trial balance and adjustment reports included in the email)
- 7) Past due invoice for James Moore September 2022 services \$13,600. Our engagement allows us to suspend work if unpaid for 30 days. Please provide payment ASAP so we may continue to serve the City. Invoice is attached in the email.
- 8) Management Representation Letter signed and on City letterhead will be provided once above items have been completed.

**CITY OF STARKE, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**



**CITY COMMISSION**

*Janice Mortimer, Mayor*  
*Danny Nugent, Vice Mayor*  
*Scott Roberts*  
*Wilbur Waters*  
*Shannon Smith*

**CITY MANAGER**

*Russell Mullins*

**CITY CLERK**

*Jimmy Crosby*

**CITY OF STARKE, FLORIDA  
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SEPTEMBER 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,  
City of Starke, Florida:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starke, Florida (the City), as of and for the year ended September 30, 2021, 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***

The City's 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, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2030, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida  
January 30, 2030

**MANAGEMENT'S DISCUSSION AND ANALYSIS PAGE 1**

INSERT SCHEDULE FROM EXCEL

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**MANAGEMENT'S DISCUSSION AND ANALYSIS END PAGE 11**

INSERT SCHEDULE FROM EXCEL

DRAFT

## **BASIC FINANCIAL STATEMENTS**

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

**CITY OF STARKE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,530,329	\$ 5,518,317	\$ 9,048,646
Investments	-	1,000	1,000
Receivables, net	20,563	1,755,910	1,776,473
Internal balances	(109,409)	109,409	-
Due from pension trust funds	27,961	272	28,233
Due from other governments	485,825	-	485,825
Inventories	-	658,289	658,289
Prepays	63,747	71,654	135,401
Restricted assets:			
Cash and cash equivalents	-	46,958	46,958
Capital assets:			
Capital assets, not being depreciated	846,862	6,656,175	7,503,037
Other capital assets, net of depreciation	2,709,762	15,518,316	18,228,078
Total assets	<u>7,575,640</u>	<u>30,336,300</u>	<u>37,911,940</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	1,129,987	473,345	1,603,332
Related to OPEB	257,467	91,439	348,906
Total deferred outflows	<u>1,387,454</u>	<u>564,784</u>	<u>1,952,238</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	366,672	1,421,516	1,788,188
Customer deposits	-	1,128,293	1,128,293
Unearned revenue	38,022	180,279	218,301
Accrued interest payable	6,737	5,687	12,424
Due to pension trust funds	15,845	-	15,845
Noncurrent liabilities:			
Due within one year:			
Notes payable	67,770	122,562	190,332
Compensated absences	73,000	55,000	128,000
Due in more than one year:			
Notes payable	363,036	997,541	1,360,577
Compensated absences	90,119	46,175	136,294
Total OPEB liability	696,672	247,423	944,095
Net pension liability	1,198,477	1,116,698	2,315,175
Total liabilities	<u>2,916,350</u>	<u>5,321,174</u>	<u>8,237,524</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	866,906	693,612	1,560,518
Related to OPEB	229,881	81,643	311,524
Total deferred inflows of resources	<u>1,096,787</u>	<u>775,255</u>	<u>1,872,042</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,125,818	21,054,388	24,180,206
Restricted for:			
Public safety	79,891	-	79,891
Building department	76,595	-	76,595
Transportation	597,261	-	597,261
Debt service	-	44,822	44,822
Unrestricted	1,070,392	3,705,445	4,775,837
Total net position	<u>\$ 4,949,957</u>	<u>\$ 24,804,655</u>	<u>\$ 29,754,612</u>

The accompanying notes to financial statements are an integral part of this statement.



**CITY OF STARKE, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,037,101	\$ 220,564	\$ 38,529	\$ -	\$ (778,008)	\$ -	\$ (778,008)
Public safety	3,619,942	48,577	195,651	-	(3,375,714)	-	(3,375,714)
Transportation	268,182	-	393,573	282,961	408,352	-	408,352
Culture and recreation	332,977	-	-	72,732	(260,245)	-	(260,245)
Total governmental activities	5,258,202	269,141	627,753	355,693	(4,005,615)	-	(4,005,615)
Business-type activities:							
Electric	7,348,469	7,618,137	42,396	768,771	-	1,080,835	1,080,835
Water	590,178	912,353	19,128	-	-	341,303	341,303
Sewer	1,561,611	1,823,945	-	304,927	-	567,261	567,261
Solid waste	1,034,191	1,051,670	-	-	-	17,479	17,479
Gas	527,560	506,224	-	-	-	(21,336)	(21,336)
Total business-type activities	11,062,009	11,912,329	61,524	1,073,698	-	1,985,542	1,985,542
Total primary government	<u>\$ 16,320,211</u>	<u>\$ 12,181,470</u>	<u>\$ 689,277</u>	<u>\$ 1,429,391</u>	<u>(4,005,615)</u>	<u>1,985,542</u>	<u>(2,020,073)</u>
General revenues:							
Property taxes					1,077,523	-	1,077,523
Sales taxes					1,143,438	-	1,143,438
Casualty and fire insurance premium taxes					184,685	-	184,685
Other taxes					62,388	-	62,388
Franchise and utility taxes					862,165	-	862,165
Intergovernmental					244,121	-	244,121
Investment earnings					3,598	2,874	6,472
Miscellaneous revenues					41,683	75,418	117,101
Transfers					809,802	(809,802)	-
Total general revenues and transfers					4,429,403	(731,510)	3,697,893
Change in net position					423,788	1,254,032	1,677,820
Net position - beginning of year, as restated					4,526,169	23,550,623	28,076,792
Net position - ending of year					<u>\$ 4,949,957</u>	<u>\$ 24,804,655</u>	<u>\$ 29,754,612</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Transportation Trust Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,128,510	\$ 2,401,819	\$ -	\$ 3,530,329
Receivables, net	20,563	-	-	20,563
Due from other governments	361,258	124,567	-	485,825
Due from other funds	115,659	2,862	-	118,521
Prepaid items	54,301	9,446	-	63,747
Total assets	<u>\$ 1,680,291</u>	<u>\$ 2,538,694</u>	<u>\$ -</u>	<u>\$ 4,218,985</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 283,085	\$ 83,587	-	\$ 366,672
Unearned revenue	38,022	-	-	38,022
Due to other funds	212,611	3,203	-	215,814
Total liabilities	<u>533,718</u>	<u>86,790</u>	<u>-</u>	<u>620,508</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	54,301	9,446	-	63,747
Restricted for:				
Public safety	79,891	-	-	79,891
Building department	76,595			76,595
Road improvements	-	587,815	-	587,815
Committed to:				
Road improvements	-	1,854,643	-	1,854,643
Assigned to:				
Subsequent year's budget	213,244	-	-	213,244
Unassigned	722,542	-	-	722,542
Total fund balances	<u>1,146,573</u>	<u>2,451,904</u>	<u>-</u>	<u>3,598,477</u>
Total liabilities and fund balances	<u>\$ 1,680,291</u>	<u>\$ 2,538,694</u>	<u>\$ -</u>	<u>\$ 4,218,985</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

**Fund balances - total governmental funds** \$ 3,598,477

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

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

Total governmental capital assets	16,163,846	
Less: accumulated depreciation	(12,607,222)	3,556,624

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(1,198,477)	
Deferred outflows related to pensions	1,129,987	
Deferred inflows related to pensions	(866,906)	(935,396)

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(696,672)	
Deferred outflows related to OPEB	257,467	
Deferred inflows related to OPEB	(229,881)	(669,086)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(430,806)	
Accrued interest payable	(6,737)	
Compensated absences	(163,119)	(600,662)

<b>Net position of governmental activities</b>		<u><u>\$ 4,949,957</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>General Fund</b>	<b>Transportation Trust Fund</b>	<b>Community Redevelopment Agency</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 2,508,605	\$ 565,533	\$ -	\$ 3,074,138
Permits and fees	356,125	-	-	356,125
Intergovernmental	840,718	374,688	-	1,215,406
Fines and forfeitures	31,427	-	-	31,427
Investment income	673	2,925	-	3,598
Miscellaneous	190,831	663	-	191,494
Total revenues	<u>3,928,379</u>	<u>943,809</u>	<u>-</u>	<u>4,872,188</u>
<b>Expenditures</b>				
Current:				
General government	971,359	-	175	971,534
Public safety	3,348,812	-	-	3,348,812
Transportation	1,570	202,586	-	204,156
Culture and recreation	309,857	-	-	309,857
Capital outlay	233,761	402,296	-	636,057
Debt service:				
Principal	72,206	-	-	72,206
Interest	17,328	-	-	17,328
Total expenditures	<u>4,954,893</u>	<u>604,882</u>	<u>175</u>	<u>5,559,950</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,026,514)</u>	<u>338,927</u>	<u>(175)</u>	<u>(687,762)</u>
<b>Other financing sources (uses)</b>				
Transfers in	811,517	-	-	811,517
Transfers out	-	-	(1,715)	(1,715)
Total other financing sources (uses)	<u>811,517</u>	<u>-</u>	<u>(1,715)</u>	<u>809,802</u>
<b>Net change in fund balances</b>	<u>(214,997)</u>	<u>338,927</u>	<u>(1,890)</u>	<u>122,040</u>
<b>Fund balances, beginning of year</b>	1,361,570	2,112,977	1,890	3,476,437
<b>Fund balances, end of year</b>	<u>\$ 1,146,573</u>	<u>\$ 2,451,904</u>	<u>\$ -</u>	<u>\$ 3,598,477</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 122,040</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	636,057
Depreciation expense	(356,776)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	
	(2,004)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	72,206
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	49,139
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in compensated absences liability	(29,122)
Change in total OPEB liability	(67,752)
<b>Change in net position of governmental activities</b>	<b>\$ 423,788</b>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND**  
**SEPTEMBER 30, 2021**

**ASSETS**

Cash and cash equivalents	\$ 5,518,317
Investments	1,000
Accounts receivable, net	1,755,910
Inventories	658,289
Prepaid items	71,654
Due from other funds	196,379
Restricted current assets:	
Cash and cash equivalents	46,958
Total current assets	<u>8,248,507</u>
Noncurrent assets:	
Capital assets, not being depreciated	6,656,175
Capital assets, being depreciated, net	15,518,316
Total noncurrent assets	<u>22,174,491</u>
Total assets	<u>30,422,998</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Related to pensions	473,345
Related to OPEB	91,439
Total deferred outflows of resources	<u>564,784</u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accrued liabilities	1,421,516
Customer deposits	1,128,293
Power costs recovered in advance	180,279
Due to other funds	86,698
Current maturities on long-term debt	79,455
Accrued interest payable	3,551
Compensated absences	55,000
Payable from restricted assets:	
Current maturities on long-term debt	43,107
Accrued interest payable	2,136
Total current liabilities	<u>3,000,035</u>
Noncurrent liabilities:	
Bonds and notes payable, net	997,541
Compensated absences	46,175
Total OPEB liability	247,423
Net pension liability	1,116,698
Total noncurrent liabilities	<u>2,407,837</u>
Total liabilities	<u>5,407,872</u>

**DEFERRED INFLOWS OF RESOURCES**

Related to pensions	693,612
Related to OPEB	81,643
Total deferred inflows of resources	<u>775,255</u>

**NET POSITION**

Net investment in capital assets	21,054,388
Restricted for debt service	44,822
Unrestricted	3,705,445
Total net position	<u><u>\$ 24,804,655</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>Operating revenues</b>	
Charges for services	\$ 11,912,329
Miscellaneous revenues	75,418
Total operating revenues	<u>11,987,747</u>
<b>Operating expenses</b>	
Personal services	2,051,662
Contractual services	80,855
Utilities	6,624,507
Maintenance and repairs	174,341
Other supplies	776,900
Insurance	141,839
Depreciation	1,190,498
Total operating expenses	<u>11,040,602</u>
<b>Operating income (loss)</b>	<u>947,145</u>
<b>Nonoperating revenues (expenses)</b>	
Interest earnings	2,874
Intergovernmental grants	61,524
Interest expense	(21,407)
Total nonoperating revenues (expenses)	<u>42,991</u>
<b>Income (loss) before capital grants and transfers</b>	<u>990,136</u>
Capital grants	1,073,698
Transfers out	(809,802)
<b>Change in net position</b>	<u>1,254,032</u>
<b>Net position, beginning of year, as restated</b>	23,550,623
<b>Net position, end of year</b>	<u><u>\$ 24,804,655</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 14,167,855
Cash paid to employees	(2,476,005)
Cash paid to suppliers	(8,294,352)
Net cash provided by (used in) operating activities	<u>3,397,498</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers to other funds	(809,802)
Intergovernmental grant proceeds	61,524
Interfund loans	(1,714)
Net cash provided by (used in) noncapital financing activities	<u>(749,992)</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(1,979,785)
Capital grants	1,073,698
Principal payments of long-term debt	(140,198)
Proceeds from issuance of long-term debt	122,073
Interest paid	(21,407)
Net cash provided by (used in) capital and related financing activities	<u>(945,619)</u>
<b>Cash flows from investing activities</b>	
Interest received	2,874
Net cash provided by (used in) investing activities	<u>2,874</u>
<b>Net change in cash and cash equivalents</b>	<u>1,704,761</u>
<b>Cash and cash equivalents, beginning of year</b>	3,860,514
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 5,565,275</u></u>
<b>Cash and cash equivalents classified as:</b>	
Unrestricted	\$ 5,518,317
Restricted	46,958
Total cash and cash equivalents	<u><u>\$ 5,565,275</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 947,145
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,190,498
Changes in assets and liabilities:	
Accounts receivable	338,444
Due from other governments	1,709,853
Inventories	(12,679)
Prepaid items	(37,884)
Accounts payable and accrued liabilities	(445,347)
Deposits	1,614
Power costs recovered in advance	130,197
Net pension liability and related deferred outflows and inflows	(433,218)
Total OPEB liability and related deferred outflows and inflows	8,875
Net cash provided by (used in) operating activities	<u><u>\$ 3,397,498</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**CITY OF STARKE, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2021**

	<b>Pension Trust Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 367,602
	<hr/>
Receivables	
Employer contributions receivable	15,845
State premium taxes	97,370
Interest and dividends receivable	19,487
Total receivables	<hr/> 132,702 <hr/>
Investments, at fair value	
Money market funds	2,270,394
Collateral mortgage obligations	235,055
Fixed income ETF	655,356
Equity ETF	1,630,122
Equity mutual funds	1,545,632
Fixed income mutual funds	781,906
Municipal obligations	100,021
Corporate bonds	2,301,644
Common equity securities	12,465,041
Total investments	<hr/> 21,985,171 <hr/>
Total assets	<hr/> 22,485,475 <hr/>
<b>LIABILITIES</b>	
Accounts payable	66,803
Accrued share plan liability	4,571
Due to other funds	28,233
Total liabilities	<hr/> 99,607 <hr/>
<b>NET POSITION</b>	
Restricted for pensions	<hr/> <hr/> \$ 22,385,868 <hr/> <hr/>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 780,801
Plan members	58,559
State insurance premium taxes	184,685
Total contributions	<u>1,024,045</u>
Investment earnings	
Net appreciation (depreciation) in fair value of investments	3,121,878
Interest and dividends	310,544
Total investment earnings	<u>3,432,422</u>
Less: investment expense	<u>(128,403)</u>
Net investment income (loss)	<u>3,304,019</u>
Total additions	<u>4,328,064</u>
<b>Deductions</b>	
Benefit payments and refunds	1,709,325
Administrative expenses	130,606
Total deductions	<u>1,839,931</u>
<b>Change in net position</b>	<u>2,488,133</u>
<b>Net position restricted for pensions, beginning of year</b>	19,897,735
<b>Net position restricted for pensions, end of year</b>	<u><u>\$ 22,385,868</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(1) Summary of Significant Accounting Policies:**

The financial statements of the City of Starke, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City is a Florida municipality with an elected five-member City Commission. The City was originally incorporated as the Town of Starke in 1870. The City was reincorporated by Laws of Florida, Chapter 13426 (1927).

The accompanying financial statements include all funds, agencies and boards that are controlled by, or dependent on, the City.

Generally accepted accounting principles require that these financial statements present the City (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary governments appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

(b) **Blended component units**—The financial activity of The City of Starke Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Commission is a member of the Agency. The Agency was dissolved in May 2021.

(c) **Government-wide 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 nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

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: a) charges for services that are directly related to a given function; and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Fund financial statements**—Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, but all nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

*General Fund*—the primary operating fund, used to account for all activities except those required to be accounted for in another fund.

*Transportation Trust Fund*—a special revenue fund used to account for the general government's maintenance and construction of roads and the service of debt incurred for road construction.

The City reports the following enterprise fund:

*Utilities System Revenue Fund*—this fund is used to account for operations of the City's electric, gas, water, and wastewater systems, which are financed and operated in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

The City reports the following fiduciary fund:

*Pension Trust Funds*—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Police Pension Trust Fund, the Fire Pension Trust Fund, and the General Pension Trust Fund. Assets accumulated and held in trust in defined contribution pension plans (deferred compensation and money purchase retirement plans) are not included in the financial statements, since such amounts immediately vest with the employees.

(e) **Measurement focus, basis of accounting, and financial statement presentation**—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. Property taxes are recognized 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 STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, pension expenditures, other postretirement benefit expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized 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.

(f) **Fund balance**—Fund balance classifications are comprised of a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned:

*Nonspendable*—this component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. On the governmental funds balance sheet, the prepaid balance reported is offset by a nonspendable fund balance classification, which indicates it does not constitute “available spendable resources” even though it is a component of net current assets.

*Restricted*—this component of fund balance consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.

*Committed*—this component of fund balance consists of amounts that can only be used for the specific purposes determined by a formal action of the City Commission’s highest level of decision-making authority (i.e., by ordinance). These committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action employed to constrain those amounts.

*Assigned*—this component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization’s governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The City Commission has not formally delegated this authority. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

*Unassigned*—this classification is used for: (a) deficit unrestricted fund balances in any governmental fund; or (b) fund balances within the general fund that are not restricted, committed, or assigned.

(g) **Fund balance flow assumption**—When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City’s policy to use committed resources first, then assigned, and then unassigned, as needed.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(1) Summary of Significant Accounting Policies:** (Continued)

(h) **Deposits and investments**—For purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments are reported at fair value based on quoted market prices, except for certificates of deposit, which are reported at cost, which approximates fair value.

(i) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(j) **Inventories and prepaid items**—Inventories are valued at the lower of cost or market as determined by the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(k) **Capital assets**—Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at acquisition value at the date of contribution. The City uses a capitalization threshold of \$3,000 for all classes of capital assets. Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

Assets	Years
Buildings	20 – 40
Improvements	10 – 50
Infrastructure	20 – 50
Equipment	3 - 10

(l) **Compensated absences**—The City’s policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Deferred inflows and outflows of resources**—In addition to assets, the statement of financial position will, if required, 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. Currently, the only items in this category are deferred amounts related to pension and other postemployment benefits (OPEB), as discussed further in Note (8).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category are deferred inflows of resources related to pensions and other postemployment benefits (OPEB), as discussed further in Note (8).

(n) **Property taxes**—The Bradford County Tax Collector bills and collects property taxes for the City. At September 30, 2021, the property taxes receivable were not material.

Details of the City's tax calendar are presented below:

Lien Date	January 1
Levy Date	November 1
Discount Period	November through February
No Discount Period	March
Delinquent Date	April 1

(o) **Budgetary information**—Annual budgets are adopted for all funds of the City except for the Pension Trust funds that are effectively controlled through governing agreement and related City ordinances. The annual operating budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Annual budget appropriations lapse at the end of each fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances represent open purchase orders and other commitments for goods/services that are not yet received and are recorded to reserve that portion of the applicable appropriation. Encumbrances are recognized as expenditures in the period in which the actual goods/services are received and a liability is incurred. Encumbrances outstanding at year-end are canceled and re-appropriated in the succeeding year's budget; such amounts, if material, are disclosed in the notes as commitments.

The City Manager prepares a recommended budget for the next succeeding fiscal year and submits it to the City Commission. The recommended budget includes proposed expenditures and the source of receipts to finance them. City Commission holds a minimum of two public hearings on the proposed budget and adopts the official annual budget of the City, by resolution, prior to October 30.

The budget, as adopted, may only be amended through formal approval by City Commission. The level at which expenditures may not legally exceed budget is at the fund level. The City Manager or City Clerk may transfer budgeted amounts within and between departments of the City without formal approval by City Commission. For the year ended September 30, 2021, expenditures exceeded appropriations in general fund by \$349,162.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(p) **Operating revenues and expenses**—Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(q) **Restricted net position**—In the accompanying government-wide and proprietary fund's statements of net position, restricted net position is subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

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

(r) **Use of estimates**—The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make various estimates. Actual results could differ from those estimates.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.



**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(3) **Deposits and Investments:**

(a) **Deposits**—All of the City's deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes and, accordingly, are entirely insured by Federal Depository Insurance or collateralized pursuant to the *Florida Security for Public Deposits Act*.

(b) **Investments**—The City's investments are certificates of deposits at September 30, 2021, and are held in qualified public depositories pursuant to Chapter 280, Florida Statutes and, accordingly, are entirely insured by federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

The City is exposed to the following risks associated with its non-pension investment portfolio:

**Credit risk**—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy that limits exposure to risk. However, the City's investments conform to the provisions of Florida Statutes, Section 218.415. The City generally limits its non-pension investments to certificates of deposit and money market accounts.

**Interest rate risk**—The risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City's investment maturities are structured to match known cash needs and anticipated cash flow requirements. Currently, all of the City's non-pension investments have maturities of no more than one year.

**Concentration of credit risk**—The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy that limits exposure to risk. However, the City's investments conform to the provisions of Florida Statutes, Section 218.415. The City generally limits its non-pension investments to certificates of deposit and money market accounts.

***Pension Plans' Investment Portfolio***

The City's Police Pension Plan is authorized to invest in the following investments:

Annuity and life insurance contracts of life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all the participants in the municipal police officers' retirement trust fund are entitled and pay the initial and subsequent premiums thereon.

Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building and loan association insured by the Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.

Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.

Bonds issued by the State of Israel.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(3) Deposits and Investments:** (Continued)

Bonds, stocks or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided: The corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service.

Mutual funds that comply with items 1 – 5 above to include a 5-10% position (at cost) in a highly liquid index of Real Estate Investment Trusts (REIT).

The City's General and Fire Pension Plans are authorized to invest in the following investments:

Equities must be traded on a national exchange or electronic network. Not more than 5% of the plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

Fixed income investments that have a minimum rating in the top three highest classifications as reported by a major credit rating service. The value of bonds issued by any single corporation shall not exceed 10% of the total fund.

Money market funds or STIF options provided by the Plan's custodian that have a minimum rating of S&P A1 or Moody's P1.

Pooled funds may be governed by separate prospectus which may include investments not expressly permitted above.

The Plan is subject to using fair value measurement guidelines established by GASB. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the General Employees' Pension fund cash and investment accounts by investment portfolios and their respective maturities (in years):

	<b>Fair Value</b>	<b>Weighted Average Maturity (years)</b>	<b>Credit Rating Range (Moody's)</b>	<b>Fair Value Hierarchy Classification</b>
Money market funds	\$ 1,114,259	N/A	NR	Level 1
Collateral mortgage obligations	156,703	> 20.00	NR	Level 2
Municipal obligations	100,021	1.50	A2	Level 2
Corporate bonds	1,638,874	4.33	A2 – Baa2	Level 2
Common equity securities	8,775,565	N/A	NR	Level 1
Total General'	<u>\$ 11,785,422</u>			

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(3) Deposits and Investments:** (Continued)

The following chart shows the Fire Pension fund cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Money market funds	\$ 486,825	N/A	NR	Level 1
Collateral mortgage obligations	78,352	6.30	NR	Level 2
Corporate bonds	662,770	3.98	A2 – Baa2	Level 2
Common equity securities	3,689,477	N/A	NR	Level 1
Total Fire	<u>\$ 4,917,424</u>			

The following chart shows the Police Pension fund cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Money market funds	\$ 669,309	N/A	NR	Level 1
Fixed income ETF	655,356	2.80	Aaa – Baa	Level 1
Equity ETF	1,630,122	N/A	NR	Level 1
Equity mutual funds	1,545,632	N/A	NR	Level 1
Fixed income mutual funds	781,906	6.49	AAA – BB	Level 1
Total Police	<u>\$ 5,282,325</u>			

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2021, the weighted average maturity in years for each investment type is included in the preceding table.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines at September 30, 2021.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. For the Police Pension Plan, not more than 5% of the Plan's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding common or capital stock of that company. For the General and Fire Pension Plans, not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company. The value of bonds issued by any single corporation shall not exceed 10% of the total fund. At September 30, 2021, the investment portfolios met the single issuer limitations.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(3) Deposits and Investments:** (Continued)

*Custodial Credit Risk:* Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to twenty-five (25) percent of its investments in securities at market value in foreign securities. At September 30, 2021, the investment portfolios met the foreign securities limitations.

**(4) Interfund Balances and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2021, individual fund interfund receivables and payables for the primary government were comprised of the following:

	<b><u>Due From Other Funds</u></b>	<b><u>Due to Other Funds</u></b>
Governmental Activities:		
General Fund	\$ 115,659	\$ 212,611
Transportation Trust Fund	2,862	3,203
Business-Type Activities:		
Utilities System Revenue Fund	196,379	86,698
Fiduciary Funds:		
General Pension	-	22,733
Police Pension	6,822	-
Fire Pension	9,023	5,500
Totals – All Funds	<u>\$ 330,745</u>	<u>\$ 330,745</u>

For the year ended September 30, 2021, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
Governmental Activities:		
General Fund	\$ 811,517	\$ -
Community Redevelopment Agency	-	1,715
Business-Type Activities:		
Utilities System Revenue Fund	-	809,802
Totals – All Funds	<u>\$ 811,517</u>	<u>\$ 811,517</u>

The interfund transfers resulted from the normal course of operations. Transfers from the utility system revenue fund was made for the services provided to such funds by the general fund.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(5) Receivables:**

The City's receivables consisted of the following at September 30, 2021:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 27,063	\$ (6,500)	\$ 20,563
Intergovernmental	361,258	-	361,258
Transportation Trust Fund			
Accounts receivable	-	-	-
Intergovernmental	124,567	-	124,567
Totals – Governmental Activities	<u>512,888</u>	<u>(6,500)</u>	<u>506,388</u>
Business-Type Activities:			
Utility Systems Revenue Fund			
Accounts receivable	1,782,910	(27,000)	1,755,910
Intergovernmental	-	-	-
Totals – Business-Type Activities	<u>1,782,910</u>	<u>(27,000)</u>	<u>1,755,910</u>
Totals	<u>\$ 2,295,798</u>	<u>\$ (33,500)</u>	<u>\$ 2,262,298</u>

**(6) Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 178,460	\$ -	\$ -	\$ 178,460
Construction in progress	856,536	402,296	(590,430)	668,402
Total capital assets, not being depreciated	<u>1,034,996</u>	<u>402,296</u>	<u>(590,430)</u>	<u>846,862</u>
Capital assets, being depreciated –				
Infrastructure	9,830,245	-	-	9,830,245
Land improvements	10,048	-	-	10,048
Buildings and improvements	2,465,636	590,430	(9,616)	3,046,450
Machinery and equipment	2,674,827	233,761	(478,347)	2,430,241
Total capital assets, being depreciated	<u>14,980,756</u>	<u>824,191</u>	<u>(487,963)</u>	<u>15,316,984</u>
Less accumulated depreciation for–				
Total accumulated depreciation	<u>(12,736,405)</u>	<u>(356,776)</u>	<u>485,959</u>	<u>(12,607,222)</u>
Total capital assets, being depreciated, net	<u>2,244,351</u>	<u>467,415</u>	<u>(2,004)</u>	<u>2,709,762</u>
Governmental activities capital assets, net	<u>\$ 3,279,347</u>	<u>\$ 869,711</u>	<u>\$ (592,434)</u>	<u>\$ 3,556,624</u>

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(6) Capital Assets:** (Continued)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 1,589,398	\$ -	\$ -	\$ 1,589,398
Construction in progress	3,811,162	1,910,519	(654,904)	5,066,777
Total capital assets, not being depreciated	5,400,560	1,910,519	(654,904)	6,656,175
Capital assets, being depreciated –				
Infrastructure	34,446,863	261,123	-	34,707,986
Building and improvements	1,115,730	147,475	-	1,263,205
Machinery and equipment	6,316,051	315,572	-	6,631,623
Total capital assets, being depreciated	41,878,644	724,170	-	42,602,814
Less accumulated depreciation for –				
Total accumulated depreciation	(25,894,000)	(1,190,498)	-	(27,084,498)
Total capital assets, being depreciated, net	15,984,644	(466,328)	-	15,518,316
Business-type activities capital assets, net	<u>\$ 21,385,204</u>	<u>\$ 1,444,191</u>	<u>\$ (654,904)</u>	<u>\$ 22,174,491</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 43,581
Public safety	172,469
Transportation	78,865
Culture and recreation	61,861
Total depreciation expense - governmental activities	<u>\$ 356,776</u>
Business-type activities:	
Utilities System Revenue Fund	\$ 1,190,498
Total depreciation expense - business-type activities	<u>\$ 1,190,498</u>

**(7) Long-Term Obligations:**

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Notes payable	\$ 503,012	\$ -	\$ (72,206)	\$ 430,806	\$ 67,770
Compensated absences	133,997	152,389	(123,267)	163,119	73,000
Governmental activities –					
Total long-term liabilities	<u>\$ 637,009</u>	<u>\$ 152,389</u>	<u>\$ (195,473)</u>	<u>\$ 593,925</u>	<u>\$ 140,770</u>
<b>Business-type activities:</b>					
Notes payable	\$ 1,138,228	\$ 122,073	\$ (140,198)	\$ 1,120,103	\$ 122,562
Compensated absences	101,175	90,603	(90,603)	101,175	55,000
Business-type activities –					
Total long-term liabilities	<u>\$ 1,239,403</u>	<u>\$ 212,676</u>	<u>\$ (230,801)</u>	<u>\$ 1,221,278</u>	<u>\$ 177,562</u>

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(7) Long-Term Obligations:** (Continued)

Notes payable in the City's business-type activities at September 30, 2021, were comprised of the following obligations:

\$2,000,000 - 2007 Electrical Upgrade Note, to purchase upgrades for the electrical system. Loan is payable and secured by a pledge of the electric utility revenue. Interest rate is variable and adjusted annually in July, based on 65% of the JP Morgan Prime rate (Index) minus .25% (1.86% as of September 2021); currently paid in monthly installments of \$5,908, final payment is due October 2027.	\$ 366,715
\$1,645,035 - 2009 Federal Loan from Florida Department of Environmental Protection for sludge treatment (BioChem). Loan is payable and secured by a pledge of the utility system revenue. Interest rate is fixed at 2.49% and note is payable in semi-annual payments of \$27,097 through December 2030.	456,219
Department of Environmental Protection Clean Water State Revolving Loan - Total funding awarded is \$1,193,302 of which \$889,950 is the estimated amount of principal forgiveness. The loan is payable in 40 semi-annual installments including interest at 0.6% per annum plus a loan service fee based on 2% of the final outstanding loan amount. First payment was due May 15, 2019. The loan is secured by the gross revenues of the utility system after payment of the operation and maintenance expense and senior revenue obligations.	297,169
Total notes payable – business-type activities	<u><u>\$ 1,120,103</u></u>

Notes payable in the City's governmental activities at September 30, 2021, were comprised of the following obligations:

\$152,436 - 2020 Police Vehicle Note, to acquire one 2019 Dodge Charger and one 2020 Dodge Charger for the police department, and to pay off 2019 Police Vehicle Note in the amount of \$101,017. Note is payable in quarterly installments of \$6,163 including interest at 3.575% per annum, final payment is due November 2026; secured by two vehicles with an original cost of \$50,253.	\$ 105,422
\$500,000 - 2017 Fire Truck Note, to acquire one 2017 fire truck. Note is payable in annual installments of \$58,230 including interest at the rate which gives the lender a tax equivalent yield of 3.44%; final payment is due May 24, 2027; secured by the fire truck with an original cost of \$435,000.	325,384
Total notes payable – governmental activities	<u><u>\$ 430,806</u></u>

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(7) **Long-Term Obligations:** (Continued)

The annual requirements to amortize notes payable as of September 30, 2021, are as follows:

**Governmental Activities**

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2022	\$ 67,770	\$ 15,114	\$ 82,884
2023	70,139	12,745	82,884
2024	72,585	10,299	82,884
2025	75,130	7,754	82,884
2026	71,762	5,128	76,890
2027	73,420	2,519	75,939
Total	<u>\$ 430,806</u>	<u>\$ 53,559</u>	<u>\$ 484,365</u>

**Business-type Activities**

<b><u>Year Ending September 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2022	\$ 122,562	\$ 19,938	\$ 142,500
2023	124,348	18,152	142,500
2024	126,821	15,681	142,502
2025	129,370	13,131	142,501
2026	131,961	10,541	142,502
2027-2031	393,185	23,544	416,729
2032-2036	82,162	4,878	87,040
2037-2040	9,694	48	9,742
Total	<u>\$ 1,120,103</u>	<u>\$ 105,913</u>	<u>\$ 1,226,016</u>



**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:**

**A. Employees' Retirement Fund**

**Plan Description and Administration**

The City of Starke Employees' Retirement System (the System) is a defined benefit, contributory pension plan (the Plan). The City of Starke Pension Board of Trustees is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City of Starke to provide pension benefits for its employees. The PERS was established under authority provided in Section 6(a) of the City's charter. The plan can be amended through passage of an ordinance in accordance with state laws concerning local government retirement plans. The board of trustees approves Plan amendments.

**Plan Board**

The Plan is comprised of three components, the General Employees' Retirement System, the Police Officers' Retirement System, and the Firefighters' Retirement System. Each of these three components of the Plan has a board of trustees composed of five individuals.

For General Employees' Retirement System pension board, two of the trustees are members of the City Commission, appointed by the mayor, one of whom may be the mayor. Two of the trustees are full-time employees and are elected by active general employees who are members of the plan. The remaining trustee is selected by the other trustees and confirmed by the City Commission.

For Police Officers' Retirement System pension board, two of the trustees are legal residents of the City of Starke and are appointed by the City Commission. Two of the trustees are full-time police officers who are members of the plan and are elected by active police officers who are members of the plan. The remaining trustee is selected by the other trustees and confirmed by the City Commission.

For Firefighter's' Retirement System pension board, two of the trustees are legal residents of the City of Starke and are appointed by the City Commission. Two of the trustees are full-time firefighters who are members of the plan and are elected by active firefighters who are members of the plan (except for DROP members). The remaining trustee is selected by the other trustees and confirmed by the City Commission.

**Plan Membership**

Coverage applies to all full-time employees. As of September 30, 2020, the latest actuarial valuation date, the membership in the System consisted of the following:

<b>Group</b>	<b>General Employees</b>	<b>Police Officers</b>	<b>Fire Fighters'</b>
Inactive plan members and beneficiaries currently receiving benefits	56	14	6
Inactive plan members entitled to but not receiving benefits	4	4	-
Active plan members	39	15	37
Total	99	33	43

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

**Normal Provisions**

The System provides retirement benefits as well as death and disability benefits.

All benefits vest after 10 years of credited service (8 years for elected officials). Employees who retire at or after age 60 (55 for police officers and firefighters) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly, for life, in an amount equal to 2.5% (3% for firefighters, 3.75% for police officers) per year of service of their final average salary. Final average salary is the employee's highest salary for three consecutive years out of the last ten years.

For general employees hired on or after October 1, 2012, the retirement age increases to 65, and the annual retirement benefit is reduced from 2.5% to 1.6% per year of credited service of their final average salary.

Furthermore, effective February 1, 2013, the final average salary determination changes for employees hired on or after October 1, 2012, and for general employees hired prior to October 1, 2012, and not eligible for normal retirement as of January 1, 2013. The new determination is based on the highest 5 consecutive years out of the last 10 years.

**Deferred Retirement Option Program (DROP) Provisions**

Eligibility – General, firefighter, and police employees may participate in DROP when they are vested and have reached their normal retirement date. The “normal retirement date” is the earliest date at which individuals become eligible for full, unreduced benefits based upon age and/or service. Effective February 1, 2013, police employees may participate in the DROP when they are vested and have reached their normal retirement date.

Participation limits – Individuals may participate in DROP for a maximum of 60 months. The DROP eligibility begins the first month individuals reach their normal retirement date. If individuals fail to terminate employment at the end of their DROP period, both the retirement and DROP participation will be voided.

**Payroll, Credited Service and Contribution Information**

Payroll for employees covered by the System, for the year ended September 30, 2021, was \$2,935,111. The annual pension cost for the City was \$780,801 which includes \$142,145, member pickup paid by the City on behalf of the members.

Covered employees are required to contribute (1% for general members, 1% for police officers, 6% for volunteer firefighters, and 5% for full-time firefighters) a percentage of their salary to the System. The City has elected to contribute on behalf of each general, police and fire member, 5% of each member's covered wages. Effective for new hires on or after October 1, 2012, covered general members are required to contribute 1% of their salary to the system.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

The City is required to contribute a percentage of covered payroll based on actuarially determined requirements of 25.4% for general employees, 16.9% for police officers and 27.9% for firefighters. Annually, the state contributes monies for police and fire employees from taxes levied on insurance premiums. The state contributions are legally restricted for payment of benefits for police and fire employees. Annual actuarial valuations are performed each year to determine the City's contribution requirements. Costs incurred to administer the retirement plan are financed by investment earnings.

If an employee leaves covered employment or dies after ten years of credited service, accumulated employee contributions plus related investment earnings can be refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by City ordinance and by State law.

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary. For the year ended September 30, 2021, there were no contributions from the State of Florida to the City's pension plans.

For the year ended September 30, 2021, contributions to the City's pension plans were as follows:

	<b>General Employees Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>	<b>Total</b>
Employee contributions	\$ 18,156	\$ 6,783	\$ 33,620	\$ 58,559
City contributions	494,287	103,449	183,065	780,801
State contributions	-	101,208	83,477	184,685
Total contributions	<u>\$ 512,443</u>	<u>\$ 211,440</u>	<u>\$ 300,162</u>	<u>\$ 1,024,045</u>

**Financial Statements**

The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

**Investment Policy**

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2021:

Asset Class	Target Asset Allocation		
	General Employees Plan	Police Plan	Fire Plan
Domestic equity	45%	45%	45%
International equity	15%	15%	15%
Domestic bonds	40%	40%	40%

**Net Pension Liability**

The components of the net pension liability of the pension plans at September 30, 2021, were as follows:

	General Employees Plan	Police Plan	Fire Plan	Total
Total pension liability	\$ 12,414,934	\$ 4,904,837	\$ 4,904,798	\$ 22,224,569
Plan fiduciary net position	(10,952,168)	(4,628,123)	(4,329,103)	(19,909,394)
Net pension liability	<u>\$ 1,462,766</u>	<u>\$ 276,714</u>	<u>\$ 575,695</u>	<u>\$ 2,315,175</u>
Plan fiduciary net position as percentage of total pension liability	88.22%	94.36%	88.26%	89.58%

The total pension liability was determined by an actuarial valuation as of October 1, 2020, and measurement date of September 30, 2020, using the following actuarial assumptions to all measurement periods.

	General Employees Plan	Police Plan	Fire Plan
Inflation	2.50%	2.50%	2.50%
Salary increases	3.25-4.00%	4.00-5.00%	3.50-5.00%
Investment rate of return	7.50%	7.25%	7.50%
Mortality table	RP-2000, Scale BB	RP-2000, Scale BB	RP-2000, Scale BB

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.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return		
	General Employees Plan	Police Plan	Fire Plan
Domestic equity	7.50%	7.50%	7.50%
International equity	8.50%	8.50%	8.50%
Domestic Bonds	2.50%	2.50%	2.50%

*Discount rate:*

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

*Changes in net pension liability:*

Changes in each plan's net pension liability were as follows:

	General Employees Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 12,441,437	\$ 9,730,476	\$ 2,710,961
Changes for year:			
Service cost	107,291	-	107,291
Interest	900,994	-	900,994
Differences between expected/actual experience	144,833	-	144,833
Assumption Changes	(192,720)		(192,720)
Contributions – employer	-	668,747	(668,747)
Contributions – employee	-	15,776	(15,776)
Contributions – employee picked up by employer	-	78,876	(78,876)
Net investment income	-	1,481,683	(1,481,683)
Benefit payments, including refunds	(986,901)	(986,901)	-
Administrative expenses	-	(36,489)	36,489
Net changes	(26,503)	1,221,692	(1,248,195)
Ending Balance	\$ 12,414,934	\$ 10,952,168	\$ 1,462,766

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

	<b>Police Plan</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a – b)</b>
Beginning Balance	\$ 4,853,485	\$ 4,469,865	\$ 383,620
Changes for year:			
Service cost	123,694	-	123,694
Interest	344,138	-	344,138
Differences between expected/actual experience	(21,441)	-	(21,441)
Assumption Changes	(113,542)		(113,542)
Contributions – employer	-	192,906	(192,906)
Contributions – employee	-	8,049	(8,049)
Contributions – employee picked up by employer	-	31,492	(31,492)
Net investment income	-	239,968	(239,968)
Benefit payments, including refunds	(281,497)	(281,497)	-
Administrative expenses	-	(32,660)	32,660
Net changes	51,352	158,258	(106,906)
Ending Balance	\$ 4,904,837	\$ 4,628,123	\$ 276,714

	<b>Fire Plan</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a – b)</b>
Beginning Balance	\$ 4,722,371	\$ 3,867,597	\$ 854,774
Changes for year:			
Service cost	113,924	-	113,924
Interest	365,099	-	365,099
Benefit Changes	190,499	-	190,499
Differences between expected/actual experience	14,578	-	14,578
Assumption Changes	(80,127)		(80,127)
Contributions – employer	-	240,755	(240,755)
Contributions – employee	-	27,592	(27,592)
Contributions – employee picked up by employer	-	25,636	(25,636)
Net investment income	-	624,392	(624,392)
Benefit payments, including refunds	(421,546)	(421,546)	-
Administrative expenses	-	(35,323)	35,323
Net changes	182,427	461,506	(279,079)
Ending Balance	\$ 4,904,798	\$ 4,329,103	\$ 575,695

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the City calculated using the selected discount rates, as well as what the City's net pension liability (NPL) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
General Employees	7.50%	\$ 2,619,231	\$ 1,462,766	\$ 475,880
Police	7.25%	870,879	276,714	(216,277)
Fire	7.50%	1,175,581	575,695	72,344
Total		<u>\$ 4,665,691</u>	<u>\$ 2,315,175</u>	<u>\$ 331,947</u>

For the year ended September 30, 2021, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<u>General Employees Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>
Annual money-weighted rate of return	18.7%	20.80%	18.9%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

For the year ended September 30, 2021, the City recognized pension expense of (\$174,380), \$180,816, and \$248,347 in the General Employees, Police, and Fire pension plans, respectively, for a total of \$254,783.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>General Employees Plan</u>		<u>Police Plan</u>		<u>Fire Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 125,750	\$ (92,725)	\$ 64,904	\$ (59,795)	\$ 321,017	\$ (132,640)
Changes of assumptions	-	(146,834)	90,747	(102,188)	11,281	(84,368)
Contributions made subsequent to measurement date	494,287	-	103,449	-	183,065	-
Net difference between projected and actual investment earnings	-	(669,006)	128,406	-	-	(272,962)
	<u>\$ 620,037</u>	<u>\$ (908,565)</u>	<u>\$ 387,506</u>	<u>\$ (161,983)</u>	<u>\$ 515,363</u>	<u>\$ (489,970)</u>

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

Amounts reported as deferred outflows of resources (except for contributions made subsequent to the measurement date, which will be recognized in the succeeding fiscal year) and deferred inflows of resources related to the three pensions will be recognized in pension expense as follows:

	<b>General Employees Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>
2022	\$ (335,534)	\$ 64,011	\$ (93,609)
2023	(209,567)	64,934	(55,390)
2024	(83,104)	30,103	(26,714)
2025	(154,610)	5,554	(58,365)
2026	-	(18,491)	9,721
Thereafter	-	(24,037)	66,685



**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

**B. Pension Fund Financial Statements**

The City does not issue separate financial statements for the pension trust funds. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2021:

**COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS**

	<b>General Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 197,146	\$ 80,807	\$ 89,649	\$ 367,602
Receivables				
Employer contributions	-	6,822	9,023	15,845
State insurance premium taxes	-	55,790	41,580	97,370
Interest and dividends	13,423	-	6,064	19,487
Total receivables	13,423	62,612	56,667	132,702
Investments, at fair value				
Money market funds	1,114,259	669,309	486,826	2,270,394
Collateral mortgage obligations	156,703	-	78,352	235,055
Fixed income ETF	-	655,356	-	655,356
Equity ETF	-	1,630,122	-	1,630,122
Equity mutual funds	-	1,545,632	-	1,545,632
Fixed income mutual funds	-	781,906	-	781,906
Municipal obligations	100,021	-	-	100,021
Corporate bonds	1,638,874	-	662,770	2,301,644
Common equity securities	8,775,565	-	3,689,476	12,465,041
Total investments	11,785,422	5,282,325	4,917,424	21,985,171
Total assets	11,995,991	5,425,744	5,063,740	22,485,475
<b>LIABILITIES</b>				
Accounts payable	27,142	16,689	22,972	66,803
Accrued share plan liability	-	1,501	3,070	4,571
Due to other funds	22,733	-	5,500	28,233
Total liabilities	49,875	18,190	31,542	99,607
<b>NET POSITION</b>				
Restricted for pensions	\$ 11,946,116	\$ 5,407,554	\$ 5,032,198	\$ 22,385,868

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

(8) **Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

**COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**

	General Plan	Police Plan	Fire Plan	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 494,287	\$ 103,449	\$ 183,065	\$ 780,801
Plan members	18,156	6,783	33,620	58,559
State insurance premium taxes	-	101,208	83,477	184,685
Total contributions	<u>512,443</u>	<u>211,440</u>	<u>300,162</u>	<u>1,024,045</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	1,661,943	816,917	643,018	3,121,878
Interest and dividends	156,133	91,455	62,956	310,544
Total investment earnings	1,818,076	908,372	705,974	3,432,422
Less: investment expense	(71,998)	(18,375)	(38,030)	(128,403)
Net investment income (loss)	<u>1,746,078</u>	<u>889,997</u>	<u>667,944</u>	<u>3,304,019</u>
Total additions	<u>2,258,521</u>	<u>1,101,437</u>	<u>968,106</u>	<u>4,328,064</u>
<b>Deductions</b>				
Benefit payments and refunds	1,233,370	267,325	208,630	1,709,325
Administrative expenses	31,203	54,681	44,722	130,606
Total deductions	<u>1,264,573</u>	<u>322,006</u>	<u>253,352</u>	<u>1,839,931</u>
<b>Change in net position</b>	<u>993,948</u>	<u>779,431</u>	<u>714,754</u>	<u>2,488,133</u>
<b>Net position restricted for pensions, beginning of year</b>	10,952,168	4,628,123	4,317,444	19,897,735
<b>Net position restricted for pensions, end of year</b>	<u>\$ 11,946,116</u>	<u>\$ 5,407,554</u>	<u>\$ 5,032,198</u>	<u>\$ 22,385,868</u>

**C. Other Postemployment Benefits (OPEB)**

**Plan Description**—City of Starke, Florida, Post-Retirement Benefits Plan (the Plan) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

**Funding Policy**—The contribution requirements of plan members and the City are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. Currently, the City's OPEB benefits are unfunded. That is, there is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does the pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by the general assets of the City. Although an actuarial valuation for OPEB was completed to measure current year's subsidies and project future subsidies, the City Commission has determined that a separate trust fund or equivalent arrangement will not be established.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

**Benefits Provided**—The Other Postemployment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected; however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee, known as the “implicit rate subsidy.”

**Plan Membership**—At October 1, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	74
Inactive Employees	7
	<u>81</u>

**Total OPEB Liability**—The City’s total OPEB liability of \$944,095 was measured as of September 30, 2021, and was determined by an actuarial valuation as of the date noted in the above Plan Membership section.

**Actuarial Assumptions and Other Inputs**—The total OPEB liability recorded at September 30, 2021, was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.25%-5.00%
Discount rate	2.43%
Healthcare cost trend rate	Gretzen Model 6.00%
	Ultimate rate reached in 2040 4.10%
Retirees’ share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the Fidelity 20-Year Municipal GO AA Index.

Mortality rates for healthy members based on various PUB-2010 base tables, generational mortality using gender-specific MP-2018 mortality improvement projection scale. Disabled Employees based on various PUB-2010 Disabled mortality tables and no projected improvements.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

For the fiscal year ended September 30, 2021, changes in the total OPEB liability were as follows:

Balance at September 30, 2020	\$ 853,933
Changes for a year:	
Service cost	70,494
Interest	25,071
Benefit changes	-
Changes of assumptions	13,671
Differences between expected and actual experience	-
Benefit payments – implicit rate subsidy	(19,074)
Net changes	90,162
Balance at September 30, 2021	\$ 944,095

*Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the total OPEB liability of the City calculated using the discount rate of 2.43%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,077,361	\$ 944,095	\$ 833,361

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:*

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%-3.10%) or 1% higher (7.00%-5.10%) than the current healthcare cost trend rates (6.00%-4.10%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 801,814	\$ 944,095	\$ 1,126,708

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended September 30, 2021; the City recognized OPEB expense of \$107,378. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 148,875	\$ 285,696
Changes of assumptions and other inputs	169,280	25,828
Contributions subsequent to measurement date	30,751	-
Total	\$ 348,906	\$ 311,524

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(8) Employees' Retirement Plans and Other Postemployment Benefits:** (Continued)

\$30,751 reported as a deferred outflow of resources related to OPEB resulting from benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30:</u>	
2022	\$ 8,151
2023	8,151
2024	8,151
2025	9,507
2026	(30,206)
Thereafter	2,877

**(9) Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

**(10) Florida Municipal Power Agency (FMPA) and Florida Gas Utility:**

The City's utility system is one of several individual municipal electric systems, which are members of FMPA, a cooperative power agency formed to provide bulk electric power to its participating members. FMPA has minority ownership interest in a number of electric generation projects and the City is a participant in two of them. Participant information was obtained from the fiscal year 2020-2021 annual report, which is the most recent issued audit report.

*FMPA's St. Lucie Project*

The City is one of many individual municipal electric systems, which are members of FMPA's St. Lucie Project. FMPA entered into certain agreements relating to the purchase and operation of the St. Lucie Project. These agreements provided an 8.8% (73.5 Mega Watts (MW)) minority interest in the project. The St. Lucie plant has an estimated net capacity of 838 MW. The City has entered into Power Sales and Project Support Contracts with FMPA and has acquired a 2.18% share of power from the St. Lucie nuclear generating project. The City's participating share entitles it to 1.634 MW of electricity, annually.

If a Participant defaults in the performance of its obligations, under their Power Sales Contractor Project Support Contract, and FMPA is unable to sell such Participant's entitlement share, the remaining Participants not in default are obligated to assume pro rata shares of such entitlement share up to 125% of their original entitlement shares.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(10) Florida Municipal Power Agency (FMPA) and Florida Gas Utility:** (Continued)

*All-Requirements Power Contract*

In May 1997, the City assigned its entitlement share in the Stanton I and II projects to FMPA. The City entered into an All-Requirements Project (ARP) contract and pledged to purchase all electricity through the ARP. In November 1997, the ARP was implemented and the City discontinued generating its own electricity. The City is one of thirty-one individual municipal electric systems, which are members of FMPA's All-Requirements Project. The All-Requirements Project has varying ownership interest in the Stanton Unit 1 and 2, the Indian River Combustion Turbines A, B, C and D; the Key West Units 2 and 3.

In addition to its ownership of generating facilities, FMPA has entered into interchange and power purchase contracts with Progress Energy, FPL, Lakeland Electric, Southern Company, Calpine Energy Services, Gainesville Regional Utilities, OUC and other utilities. FMPA supplies all of the power needs

of the project participants. The total electricity purchased for the City of Starke during the fiscal year was approximately \$5,115,000.

*Power Costs Recovered in Advance*

The City uses a power true-up recomputed monthly in its electric rates. At September 30, 2021, the City was over-recovered from customers by \$180,279.

*Florida Gas Utility (FGU)*

In 1989, the City joined four other municipalities to form a non-profit municipal organization to provide natural gas at a low cost to its members. As of September 30, 2021, Florida Gas Utility consisted of twenty-two members. During the current fiscal year, the City purchased approximately \$228,000 in natural gas from FGU for resale.

**(11) Contingencies and Uncertainties:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

As part of operating the City's natural gas system, the City has committed to purchase various quantities of natural gas, at fixed and variable prices, over the next several years. These contracts allow the City to secure a reliable supply of natural gas for its customers. Currently, the anticipated demand for natural gas by the City's customers exceeds the supply scheduled in advance by the City.

**CITY OF STARKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**(12) Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2021, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

**(13) Restatement of Net Position:**

Relating to the utility system revenue enterprise fund, it was determined during the year September 30, 2021, certain accruals related to accounts payable and construction in progress additions were incorrect. Beginning net position has been restated for these effects.

Utility system revenue fund/Business-type activities:

Unadjusted net position, 9/30/2020	\$ 22,768,767
Add: Construction in progress adjustment	926,205
Subtract: Accounts payable adjustment	<u>(144,349)</u>
Adjusted net position, 9/30/2021	<u><u>\$ 23,550,623</u></u>

**CITY OF STARKE, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Taxes	\$ 2,307,123	\$ 2,307,123	\$ 2,508,605	\$ 201,482
Permits and fees	263,500	263,500	356,125	92,625
Intergovernmental	620,534	620,534	840,718	220,184
Fines and forfeitures	18,500	72,838	31,427	(41,411)
Investment income	2,000	2,000	673	(1,327)
Miscellaneous	148,492	186,273	147,174	(39,099)
Miscellaneous nonoperating income	27,500	27,500	43,657	16,157
Total revenues	<u>3,387,649</u>	<u>3,479,768</u>	<u>3,928,379</u>	<u>448,611</u>
<b>EXPENDITURES</b>				
Current:				
General government	812,705	850,486	971,359	(120,873)
Public safety	3,138,411	3,215,019	3,348,812	(133,793)
Transportation	-	-	1,570	(1,570)
Culture and recreation	215,550	215,550	309,857	(94,307)
Capital outlay	223,231	374,561	233,761	140,800
Debt service:				
Principal	25,800	25,800	72,206	(46,406)
Interest	5,700	5,700	17,328	(11,628)
Total expenditures	<u>4,421,397</u>	<u>4,687,116</u>	<u>4,954,893</u>	<u>(267,777)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,033,748)</u>	<u>(1,207,348)</u>	<u>(1,026,514)</u>	<u>180,834</u>
<b>Other financing sources (uses)</b>				
Transfers in	809,802	892,902	811,517	(81,385)
Total other financing sources (uses)	<u>809,802</u>	<u>892,902</u>	<u>811,517</u>	<u>(81,385)</u>
Net change in fund balances	<u>(223,946)</u>	<u>(314,446)</u>	<u>(214,997)</u>	<u>99,449</u>
Fund balances, beginning of year	1,361,570	1,361,570	1,361,570	-
Fund balances, end of year	<u>\$ 1,137,624</u>	<u>\$ 1,047,124</u>	<u>\$ 1,146,573</u>	<u>\$ 99,449</u>



**CITY OF STARKE, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - TRANSPORTATION TRUST FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 540,594	\$ 540,594	\$ 565,533	\$ 24,939
Intergovernmental	1,065,111	1,065,111	374,688	(690,423)
Investment income	4,596	4,596	2,925	(1,671)
Miscellaneous	-	-	663	663
Total revenues	<u>1,610,301</u>	<u>1,610,301</u>	<u>943,809</u>	<u>(666,492)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	2,196,935	2,196,935	202,586	1,994,349
Capital outlay	1,000,000	1,000,000	402,296	597,704
Total expenditures	<u>3,196,935</u>	<u>3,196,935</u>	<u>604,882</u>	<u>2,592,053</u>
Net change in fund balances	<u>(1,586,634)</u>	<u>(1,586,634)</u>	<u>338,927</u>	<u>1,925,561</u>
Fund balances, beginning of year	2,112,977	2,112,977	2,112,977	-
Fund balances, end of year	<u>\$ 526,343</u>	<u>\$ 526,343</u>	<u>\$ 2,451,904</u>	<u>\$ 1,925,561</u>

**CITY OF STARKE, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Budgeted Amounts</b>		<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Final Budget -</b>
			<b>Positive</b>
			<b>(Negative)</b>
<b>REVENUES</b>			
Total revenues	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>			
Current:			
General government:			
Nondepartmental	1,890	1,890	1,715
Total expenditures	1,890	1,890	1,715
Excess (deficiency) of revenues over expenditures	(1,890)	(1,890)	1,715
<b>Other financing sources (uses)</b>			
Transfers out	-	-	(1,715)
Total other financing sources (uses)	-	-	(1,715)
Net change in fund balances	(1,890)	(1,890)	-
Fund balances, beginning of year	1,890	1,890	-
Fund balances, end of year	\$ -	\$ -	\$ -

**CITY OF STARKE, FLORIDA  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
SEPTEMBER 30, 2021**

The City adopts an annual budget for the General, Community Redevelopment Agency Fund, and Transportation Trust Funds. The City generally follows these procedures in establishing the budgetary data reflected in the schedule:

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the department level. The fund is the legal level of control. For the year ended September 30, 2021, expenditures and transfers out exceeded appropriations in the General Fund by \$349,162
5. Appropriations lapse at the end of the fiscal year.
6. The budget amounts presented in the accompanying financial schedules were prepared on a basis that does not materially differ from the modified accrual basis of accounting.

**CITY OF STARKE, FLORIDA**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 70,494	\$ 58,491	\$ 61,350	\$ 36,732
Interest	25,071	43,762	39,587	18,050
Benefit changes	-	13,937	-	-
Difference between expected and actual experience	-	(404,736)	-	294,119
Changes of assumptions	13,671	81,043	(46,216)	197,957
Benefit payments	(19,074)	(44,967)	(35,728)	(9,893)
Net change in total OPEB liability	90,162	(252,470)	18,993	536,965
Total OPEB liability - beginning of year	853,933	1,106,403	1,087,410	550,445
<b>Total OPEB liability - end of year</b>	<b>\$ 944,095</b>	<b>\$ 853,933</b>	<b>\$ 1,106,403</b>	<b>\$ 1,087,410</b>
 Covered employee payroll (projected)*	 2,865,387	 2,789,015	 2,660,012	 2,558,077
Total OPEB liability as a percentage of covered employee payroll	32.95%	30.62%	41.59%	42.51%

\*Covered Employee Payroll was projected two years forward from the valuation date for the reporting period ending September 30, 2020.

Notes to the Schedule:

Reporting period:	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Measurement date:	10/1/2020	10/1/2019	10/1/2018	10/1/2017
Valuation date:	10/1/2019	10/1/2019	10/1/2017	10/1/2017

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Discount rate:	2.43%	2.74%	3.83%	3.50%
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The City's OPEB benefits are unfunded - there is no separate Trust Fund or equivalent arrangement into which the City makes contributions to advance-fund the obligation.

\*10 years of data will be presented as it becomes available.

**CITY OF STARKE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**GENERAL EMPLOYEES PLAN**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

Measurement Date September 30, Reporting Date September 30,	2020 2021	2019 2020	2018 2019	2017 2018	2016 2017	2015 2016
<b>Total Pension Liability</b>						
Service cost	\$ 107,291	\$ 77,857	\$ 75,346	\$ 77,269	\$ 80,638	\$ 80,417
Interest	900,994	903,186	943,073	965,027	968,718	922,364
Difference between actual and expected experience	144,833	(195,751)	92,402	(11,730)	77,226	(120,675)
Benefit payments including refunds of contributions	(986,901)	(1,000,790)	(1,669,630)	(1,187,543)	(979,794)	(813,053)
Assumption changes	(192,720)	-	-	(3,216)	694,526	-
Benefit changes	-	-	-	-	134,185	-
Net change in total pension liability	(26,503)	(215,498)	(558,809)	(160,193)	975,499	69,053
Total pension liability - beginning	12,441,437	12,656,935	13,215,744	13,375,937	12,400,438	12,331,385
<b>Total pension liability - ending (a)</b>	<b>\$ 12,414,934</b>	<b>\$ 12,441,437</b>	<b>\$ 12,656,935</b>	<b>\$ 13,215,744</b>	<b>\$ 13,375,937</b>	<b>\$ 12,400,438</b>
<b>Total Fiduciary Net Position</b>						
Contributions - employer	\$ 668,747	\$ 676,062	\$ 601,642	\$ 533,934	\$ 434,152	\$ 511,983
Contributions - employee	15,776	14,173	17,475	10,906	9,969	9,377
Contributions - employee picked up by employer	78,876	70,864	58,698	54,532	49,844	46,885
Net investment income	1,481,683	313,459	1,109,427	1,303,328	1,007,125	(485,656)
Benefit payments, including refunds of contributions	(986,901)	(1,000,790)	(1,669,630)	(1,187,543)	(979,794)	(813,053)
Administrative expense	(36,489)	(35,352)	(60,758)	(28,272)	(52,968)	(46,487)
Net change in plan fiduciary net position	1,221,692	38,416	56,854	686,885	468,328	(776,951)
Plan fiduciary net position - beginning	9,730,476	9,692,060	9,635,206	8,948,321	8,479,993	9,256,944
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 10,952,168</b>	<b>\$ 9,730,476</b>	<b>\$ 9,692,060</b>	<b>\$ 9,635,206</b>	<b>\$ 8,948,321</b>	<b>\$ 8,479,993</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 1,462,766</b>	<b>\$ 2,710,961</b>	<b>\$ 2,964,875</b>	<b>\$ 3,580,538</b>	<b>\$ 4,427,616</b>	<b>\$ 3,920,445</b>
Plan fiduciary net position as a percentage of the total pension liability	88.22%	78.21%	76.58%	72.91%	66.90%	68.38%
Covered payroll	\$ 1,577,549	\$ 1,417,282	\$ 1,173,969	\$ 1,090,634	\$ 996,866	\$ 936,706
Net pension liability as a percentage of covered payroll	92.72%	191.28%	252.55%	328.30%	444.15%	418.54%

\*10 years of data will be presented as it becomes available.

**CITY OF STARKE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE PLAN**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

Measurement Date September 30, Reporting Date September 30,	2020 2021	2019 2020	2018 2019	2017 2018	2016 2017	2015 2016
<b>Total Pension Liability</b>						
Service cost	\$ 123,694	\$ 129,963	\$ 134,363	\$ 114,569	\$ 118,012	\$ 137,664
Interest	344,138	334,716	325,988	319,489	301,631	295,404
Difference between actual and expected experience	(21,441)	60,234	6,707	36,635	(131,179)	(20,659)
Benefit payments including refunds of contributions	(281,497)	(288,921)	(499,920)	(186,296)	(195,249)	(148,844)
Assumption changes	(113,542)	-	-	(11,196)	329,557	-
Net change in total pension liability	51,352	235,992	(32,862)	273,201	422,772	263,565
Total pension liability - beginning	4,853,485	4,617,493	4,650,355	4,377,154	3,954,382	3,690,817
<b>Total pension liability - ending (a)</b>	<b>\$ 4,904,837</b>	<b>\$ 4,853,485</b>	<b>\$ 4,617,493</b>	<b>\$ 4,650,355</b>	<b>\$ 4,377,154</b>	<b>\$ 3,954,382</b>
<b>Total Fiduciary Net Position</b>						
Contributions - employer	\$ 192,906	\$ 203,301	\$ 215,652	\$ 183,199	\$ 170,839	\$ 168,741
Contributions - employee	8,049	6,855	6,587	6,093	5,544	5,784
Contributions - employee picked up by employer	31,492	34,275	32,934	30,465	26,654	27,922
Net investment income	239,968	215,415	260,044	352,649	384,891	(77,433)
Benefit payments, including refunds of contributions	(281,497)	(288,921)	(499,920)	(186,296)	(195,249)	(148,844)
Administrative expense	(32,660)	(32,378)	(49,254)	(39,291)	(50,014)	(45,090)
Net change in plan fiduciary net position	158,258	138,547	(33,957)	346,819	342,665	(68,920)
Plan fiduciary net position - beginning	4,469,865	4,331,318	4,365,275	4,018,456	3,675,791	3,744,711
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,628,123</b>	<b>\$ 4,469,865</b>	<b>\$ 4,331,318</b>	<b>\$ 4,365,275</b>	<b>\$ 4,018,456</b>	<b>\$ 3,675,791</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 276,714</b>	<b>\$ 383,620</b>	<b>\$ 286,175</b>	<b>\$ 285,080</b>	<b>\$ 358,698</b>	<b>\$ 278,591</b>
Plan fiduciary net position as a percentage of the total pension liability	94.36%	92.10%	93.80%	93.87%	91.81%	92.95%
Covered payroll	\$ 629,846	\$ 685,497	\$ 658,688	\$ 609,302	\$ 533,076	\$ 558,435
Net pension liability as a percentage of covered payroll	43.93%	55.96%	43.45%	46.79%	67.29%	49.89%

\*10 years of data will be presented as it becomes available.

**CITY OF STARKE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FIRE PLAN**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

Measurement Date September 30, Reporting Date September 30,	2020 2021	2019 2020	2018 2019	2017 2018	2016 2017	2015 2016
<b>Total Pension Liability</b>						
Service cost	\$ 113,924	\$ 84,734	\$ 79,325	\$ 69,461	\$ 63,717	\$ 83,956
Interest	365,099	337,300	335,636	305,434	289,172	262,020
Difference between actual and expected experience	14,578	(6,284)	187,675	74,382	183,386	(164,041)
Benefit payments including refunds of contributions	(421,546)	(355,281)	(155,053)	(134,757)	(378,840)	(83,962)
Assumption changes	(80,127)	-	-	(14,589)	18,331	-
Benefit changes	190,499	-	-	-	-	-
Net change in total pension liability	182,427	60,469	447,583	299,931	175,766	97,973
Total pension liability - beginning	4,722,371	4,661,902	4,214,319	3,914,388	3,738,622	3,640,649
<b>Total pension liability - ending (a)</b>	<b>\$ 4,904,798</b>	<b>\$ 4,722,371</b>	<b>\$ 4,661,902</b>	<b>\$ 4,214,319</b>	<b>\$ 3,914,388</b>	<b>\$ 3,738,622</b>
<b>Total Fiduciary Net Position</b>						
Contributions - employer	\$ 240,755	\$ 203,630	\$ 191,176	\$ 180,222	\$ 171,238	\$ 173,181
Contributions - employee	27,592	23,770	20,603	19,087	16,789	18,678
Contributions - employee picked up by employer	25,636	21,548	18,457	16,838	14,170	15,447
Net investment income	624,392	127,498	403,164	416,423	334,500	(194,473)
Benefit payments, including refunds of contributions	(421,546)	(355,281)	(155,053)	(134,757)	(378,840)	(83,962)
Administrative expense	(35,323)	(33,342)	(49,917)	(19,937)	(39,371)	(41,841)
Net change in plan fiduciary net position	461,506	(12,177)	428,430	477,876	118,486	(112,970)
Plan fiduciary net position - beginning	3,867,597	3,879,774	3,451,344	2,973,468	2,854,982	2,967,952
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 4,329,103</b>	<b>\$ 3,867,597</b>	<b>\$ 3,879,774</b>	<b>\$ 3,451,344</b>	<b>\$ 2,973,468</b>	<b>\$ 2,854,982</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 575,695</b>	<b>\$ 854,774</b>	<b>\$ 782,128</b>	<b>\$ 762,975</b>	<b>\$ 940,920</b>	<b>\$ 883,640</b>
Plan fiduciary net position as a percentage of the total pension liability	88.26%	81.90%	83.22%	81.90%	75.96%	76.36%
Covered payroll	\$ 545,328	\$ 468,003	\$ 404,909	\$ 374,243	\$ 327,059	\$ 362,802
Net pension liability as a percentage of covered payroll	105.57%	182.64%	193.16%	203.87%	287.69%	243.56%

\*10 years of data will be presented as it becomes available.

**CITY OF STARKE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**GENERAL EMPLOYEES PLAN**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Employee Payroll</b>
2021	\$ 372,610	\$ 416,242	(43,632)	\$ 1,602,219	25.98%
2020	439,798	668,747	(228,949)	1,577,549	42.39%
2019	474,388	676,062	(201,674)	1,417,282	47.70%
2018	485,783	601,642	(115,859)	1,173,969	51.25%
2017	481,994	533,934	(51,940)	1,090,634	48.96%
2016	434,152	434,152	-	996,866	43.55%
2015	494,285	511,983	(17,698)	936,706	54.66%
2014	525,384	725,572	(200,188)	874,183	83.00%
2013	439,741	600,186	(160,445)	852,072	70.44%
2012	562,739	562,739	-	1,015,328	55.42%

Notes to Schedule:

Valuation Date: 10/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age  
Amortization Method: Level % of Pay, Closed  
Amortization Period: 30 years  
Asset Valuation Method: 4-year smoothed market  
Inflation: 2.50%  
Salary Increases: 3.25-4.00%, including inflation  
Investment Rate of Return: 7.50%, net of pension plan investment expense including inflation  
Payroll Growth: 5.00%  
Mortality: PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table  
Retirement Age: If hired prior to October 1, 2012, age 60 and 10 yrs of service (8 yrs for elected officials) or 30 years of service. If hired after October 1, 2012, age 65 and 10 years of service.  
Early Retirement: If hired prior to October 1, 2012, 25 years of service. If hired after October 1, 2012, 30 years of service.



**CITY OF STARKE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**POLICE PLAN**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Employee Payroll</b>
2021	\$ 173,062	\$ 163,072	9,990	\$ 693,915	23.50%
2020	193,175	192,906	269	629,846	30.63%
2019	203,146	203,301	(155)	685,497	29.66%
2018	215,652	215,652	-	658,688	32.74%
2017	183,199	183,199	-	609,302	30.07%
2016	170,839	170,839	-	533,076	32.05%
2015	168,741	168,741	-	558,435	30.22%
2014	162,286	211,844	(49,558)	530,286	39.95%
2013	165,835	169,837	(4,002)	571,086	29.74%
2012	180,374	188,261	(7,887)	548,492	34.32%

Notes to Schedule:

Valuation Date: 10/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age  
Amortization Method: Level % of Pay, Closed  
Amortization Period: 20 years  
Asset Valuation Method: 4-year smoothed market  
Inflation: 2.50%  
Salary Increases: 4.00-5.00%, including inflation  
Investment Rate of Return: 7.25%, net of pension plan investment expense including inflation  
Payroll Growth: 5.00%  
Mortality: PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table  
Retirement Age: Age 55 and 10 yrs of service, or 25 yrs of service  
Early Retirement: Age 50 and 10 yrs of service

**CITY OF STARKE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FIRE PLAN**  
**SEPTEMBER 30, 2021**  
**(UNAUDITED)**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Employee Payroll</b>
2021	\$ 223,804	\$ 224,781	(977)	\$ 653,134	34.42%
2020	240,953	240,755	198	545,328	44.15%
2019	203,606	203,630	(24)	468,003	43.51%
2018	191,176	191,176	-	404,909	47.21%
2017	180,222	180,222	-	374,243	48.16%
2016	134,684	171,238	(36,554)	327,059	52.36%
2015	163,445	173,181	(9,736)	362,802	47.73%
2014	173,612	216,595	(42,983)	382,968	56.56%
2013	202,879	202,879	-	375,673	54.00%
2012	162,170	162,170	-	375,911	43.14%

Notes to Schedule:

Valuation Date: 10/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level % of Pay, Closed
Amortization Period:	30 years
Asset Valuation Method:	4-year smoothed market
Inflation:	2.50%
Salary Increases:	3.50-5.00%, including inflation
Investment Rate of Return:	7.50%, net of pension plan investment expense including inflation
Payroll Growth:	5.00%
Mortality:	PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table
Retirement Age:	Age 55 and 10 yrs of service, or 25 yrs of service
Early Retirement:	Age 50 and 10 yrs of service

**CITY OF STARKE, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS  
SEPTEMBER 30, 2021**

<b>For the Year Ending September 30,</b>	<b>General Employees Plan</b>	<b>Police Plan</b>	<b>Fire Plan</b>
2021	18.70%	20.80%	18.90%
2020	15.00%	6.07%	15.30%
2019	4.13%	5.02%	3.95%
2018	10.16%	6.20%	9.84%
2017	14.28%	9.17%	12.75%
2016	11.28%	11.14%	10.31%
2015	-5.42%	-2.27%	-7.49%
2014	12.22%	9.37%	10.91%

\*10 years of data will be presented as it becomes available.

**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, City Commission, and City Manager,  
City of Starke, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 Starke, Florida (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2030.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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 have not been identified. We did identify certain deficiencies in internal control described below, that we consider to be material weaknesses.

**2021-001 – Reconciliation of Account Balances (Third-Year Repeat Comment)**

During our audit, we noted a number of account balances required adjustments, including cash, revenues, expenditures/expenses, payables, receivables, capital assets, debt, beginning equity, and pension liabilities, in order to be in compliance with generally accepted accounting principles in the United States of America. We also noted governmental activity such as capital asset and long-term debt activity for the year was not yet recorded. We recommend the City review significant transactions monthly to ensure completeness and accuracy, as well as all account balances at year-end to ensure proper cutoff and accrual-based reconciliations agree to the general ledger.

**2021-002 – Journal Entry Review (Third-Year Repeat Comment)**

In our testing of journal entries, we noted there was no evidence of review and approval of each journal entry in accordance with the City's documented procedures. We recommend the City implement processes to perform and document a formal review of all manual journal entries to guard against unauthorized journal entries being posted. We further noted that two out of five journal entries selected for testing were posted to improper accounts resulting in overstatement of revenues and grant receivable. We recommend the City implement a process for ensuring all journal entries follow U.S. GAAP.

**2021-003 – IT Administrator Access, Reviews and Passwords (Third-Year Repeat Comment)**

In our testing of information technology general controls, we noted the following:

- Three users with domain administrator rights and four users with MUNIS journal entry access that was not required as part of the employee's job responsibility. Additionally, management is not currently performing a formal user access review over financially significant applications to verify that access is restricted to only authorized employees.
- Network password settings do not currently enforce password complexity or account lockout.
- The process to install MUNIS updates is not currently being documented.

We recommend management perform a periodic documented review of user accounts ensure access is appropriately restricted to only authorized employees. We also recommend that management strengthen password policies by requiring password complexity and locking out accounts after a number of failed attempts to help mitigate against a potential brute force attack. Finally, we recommend documenting all steps of the change management process to ensure the correct steps are followed when installing updates to financially significant applications.

**2021-004 Utility Billing Review (Third-Year Repeat Comment):**

In our testing of utility billing controls, we noted the Utility Clerk enters the rates without further review. We also noted the Utility Clerk completes write offs without a formal approval process being documented. We recommend someone other than the Utility Clerk input the rates or that further review is completed of the Utility Clerk's inputs to verify that utility rates are input properly. We also recommend a formal approval process for write offs be established to guard against improper utility write offs being completed.

**2021-005 Utility Billing Charges (Third-Year Repeat Comment):**

In our testing of utility billing controls, we noted two bills which did not recalculate correctly based on current rates. These customers were set up before 2000 and are not set up correctly based on the current utility billing rates and procedures. We recommend management perform additional review of customer accounts to verify that long-term utility customers have their billing rates set up correctly in MUNIS and to verify that utility charges are accurate.

**2021-006 Accounting Policies and Procedures (Third-Year Repeat Comment):**

During our audit, we noted that over the past few years, the City has experienced turnover in its upper management positions. As a result, well-defined accounting policies and procedures have not been established and many review and reconciliation policies and procedures have not been consistently or continuously maintained.

We suggest that a formal accounting policies and procedures manual be developed, documented, and distributed to all employees. At a minimum, at this point in time, we suggest the City develop policies and procedures for the following areas:

- The review and follow-up of accounts receivable,
- The cash receipt process,
- The payroll process, and
- The billing process.

A well-structured accounting policies and procedures manual can be very helpful in ensuring that proper procedures and related internal controls are in place and consistently followed.

**2021-007 – Preparation of Schedule of Expenditures of Federal Awards (Second-Year Repeat Comment):**

Errors were found in the City's preparation of the schedule of expenditures of federal awards and state financial assistance (SEFA) provided for audit. Upon testing for completeness and accuracy of the SEFA, it was noted the City had grant amounts that were improperly excluded from the SEFA, necessitating revision. Part 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), Subpart F – Audit Requirements Section .510(b) describes the criteria and requirements for preparing the SEFA. Section 200.502 establishes the basis for determining Federal awards expended. Preparation of an incomplete and/or inaccurate SEFA can result in errors in identifying the scope of audit procedures under Uniform Guidance and, potentially, the Florida Single Audit Act, including but not limited to the incorrect identification of major programs or projects for audit. There were ineffective controls related to the review of the SEFA. City staff with responsibility for preparing the SEFA should familiarize themselves with the Uniform Guidance and Florida Single Audit Act cited above. We recommend the City include a secondary review of the SEFA prior to providing the schedule to the auditors. We also suggest that preparation of the SEFA include the review of contracts to ensure that awards have been correctly identified on the schedule.

**2021-008 Proper Authorization of Disbursements (Second-Year Repeat Comment):**

During our testing of cash disbursement, we noted that the City was not fully following the documentation requirements of its disbursement policy. For purchases under \$1,000, the policy requires there to be an approved materials requisition and an approved purchase order (PO). All items tested had some form of signed authorization (invoice, PO, materials requisition). However, several did not have both an approved PO and an approved materials requisition. We recommend either following the disbursement policy fully or amending the disbursement policy if necessary.

**2021-009 – Accrued Annual Leave and Sick Time Policy and Payout:**

In our testing of the City's Annual Leave and Sick Policy, we noted the policy did not define if and when the City should payout annual leave for employees who leave the City. Additionally, the policy indicated that sick leave be paid out upon retirement, however, did not define what qualified as retirement. Finally, we noted the City is currently paying out all employees that leave the City, not just retired employees. We recommend the City review and update the policy.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests

disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described below:

**2021-014 Budgetary Noncompliance:**

We noted the General Fund had expenditures/transfers in excess of the appropriated budget. We recommend monitoring budgeted expenditures/transfers more closely to make sure no governmental funds are over budget.

**City of Starke, Florida's Response to Findings**

The City's responses to the findings identified in our audit is described in a letter from the City as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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.

James Moore & Co., P.L.

Gainesville, Florida  
January 30, 2030

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,  
City of Starke, Florida:

**Report on the Financial Statements**

We have audited the basic financial statements of City of Starke, Florida (the City), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated January 30, 2030.

**Auditors' Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 30, 2030, 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 audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted below. Findings 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008, 2021-010, 2021-011, 2021-012, and 2021-013 are repeat findings for at least the past two preceding years:

**2020-001 Reconciliation of Account Balances and Audit Adjustments (previously 2019-001)**—Corrective action not taken.

**2020-002 Journal Entry Review (previously 2019-002)**—Corrective action not taken.

**2020-003 IT Administrator Access, Reviews, and Passwords (previously 2019-003)**—Corrective action not taken.

**2020-004 Payroll Access and Documentation (previously 2019-004)**—Corrective action taken.

**2020-005 Utility Billing Review (previously 2019-005)**—Corrective action not taken.

**2020-006 Utility Billing Charges (previously 2019-006)**—Corrective action not taken.

**2020-007 Accounting Policies and Procedures (previously 2019-007)**—Corrective action not taken.

**2020-008 Preparation of Schedule of Expenditures of Federal Awards (previously 2019-009)**—Corrective action not taken.



**2020-009 Proper Authorization of Disbursements**—Corrective action not taken.

**2020-010 Inventory Balances**—Corrective action taken.

**2020-011 Fund Balance Policy (previously 2019-008)**—Corrective action not taken.

**2020-012 Capital Assets Review (previously 2019-009)**—Corrective action not taken.

**2020-013 Capital Assets Capitalization (previously 2019-010)** —Corrective action not taken.

**2020-014 Pooled Cash (previously 2019-011 (previously 2019-011))**—Corrective action not taken.

**2020-015 CRA Fund (previously 2019-012)**—Corrective action taken.

**2020-016 Bonding Requirements**—Corrective action taken.

### **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 legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

### **Financial Condition and Management**

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

**2021-010 Fund Balance Policy (previously 2020-011 and 2019-008):** The City does not have a fund balance policy established. We recommend a fund balance policy be established that specifies what the unassigned and unrestricted fund balances/net position should be as a percentage of each fund's expenditures/expenses in order to monitor the sufficiency of all of the unassigned and unrestricted fund balances.

**2021-011 Capital Assets Review (previously 2021-012 and 2019-009):** In our testing of fixed assets, we noted numerous old assets that were fully depreciated. We recommend reviewing these schedules and cleaning up any old assets that are no longer in service at the City.

**2021-012 Capital Assets Capitalization (previously 2021-013 and 2019-010):** We noted the City has a capitalization policy of \$3,000. We recommend increasing the capitalization policy to \$5,000.

**2021-013 Pooled Cash (previously 2020-014 and 2019-011):** In our testing of cash, we noted that the City writes all checks out of the utility fund rather than the general fund or other funds in which the expenditure relates to. Then the activity to those other funds is recorded separately. We recommend establishing a pooled cash system that allows payments to be made directly from the proper fund.

### **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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. In connection with our audit, we did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported.

### **Additional Matters**

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

### **City of Starke, Florida's Response to Findings**

The City's responses to the findings identified in our audit are described in a letter from the City as listed in the table of contents. The City's responses were 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 Letter**

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

*James Moore & Co., P.L.*

Gainesville, Florida  
January 30, 2030

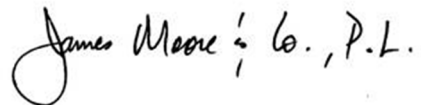
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,  
City of Starke, Florida:

We have examined the City of Starke, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Starke, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.



Gainesville, Florida  
June 14, 2022

# PLACEHOLDER NEED RESPONSES ON CITY LETTERHEAD

## **1. 2020-001 Reconciliation of Account Balances (previously 2019-001)**

Agree: Management adopted financial policy by resolution 2021-44 on May 4, 2021. Policies being administered by the City Clerk who serves as the City Treasurer. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

## **2. 2020-002 Journal Entry Review (previously 2019-002)**

Agree: Management will implement procedures to perform and review all manual journal entry transactions to guard against unauthorized transaction within the Financial system. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

## **3. 2020-003 IT Administrator, Access and Reviews (previously 2019-003)**

Agree: Management adopted financial policy by resolution 2021-43 on May 4, 2021. Policies being administered by the City Clerk who serves as the City Treasurer. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

## **4. 2020-005 Utility Billing Review (previously 2019-005)**

Agree: Management adopted financial policy by resolution 2021-47 on May 18, 2021. Policies being administered by the City Clerk who serves as the City Treasurer. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

## **5. 2020-006 Utility Billing Charges (previously 2019-006)**

Agree: Management adopted financial policy by resolution 2021-47 on May 18, 2021. Policies being administered by the City Clerk who serves as the City Treasurer. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

## **6. 2020-007 Accounting Policy & Procedures (previously 2019-007)**

Agree: Management adopted financial policy by resolution 2021-44 on May 4, 2021. Policies being administered by the City Clerk who serves as the City Treasurer. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

## **7. 2020-008 CFDA 14.228 - Community Development Block Grants Program - Natural Revitalization (Sewer Rehab): Preparation of Schedule of Expenditures of Federal Awards**

Agree: The City Finance Officer, as directed by the City Treasurer, will conduct a secondary review of the SEFA prior to providing the schedule to the auditors. A review of contracts will be conducted to ensure that awards have been correctly identified on the schedule. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer.

## **8. 2020-009 Proper Authorization of Disbursements**

Agree: The City will review the disbursement policy and provide recommendations on change as necessary. Training on disbursement policy will provide to appropriate personnel. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

**9. 2020-010 Inventory Balances**

Agree: The City will review procedures to ensure Munis inventory reports and the general ledger are updated to reflect physical count amounts. A revised financial policy procedure will be developed for staff to follow. Anticipated remediation date is February 2022. Individual responsible is the City Manager and Director of City Operations.

**10. 2020-011 Fund Balance Policy (previously 2019-008)**

Agree: Management adopted financial policy by resolution 2021-37 on April 6, 2021. Policies being administered by the City Clerk who serves as the City Treasurer.

**11. 2020-012 Capital Assets Review (previously 2019-009)**

Agree: Management adopted financial policy by resolution 2021-49 on June 1, 2021. Policies being administered by the City Clerk who serves as the City Treasurer.

**12. 2020-013 Capital Assets Capitalization (previously 2019-010)**

Agree: Management adopted financial policy by resolution 2021-49 on June 1, 2021. Policies being administered by the City Clerk who serves as the City Treasurer.

**13. 2020-014 Pooled Cash (previously 2019-010)**

Agree: Management has been reviewing this policy and is reviewing the recommendation to develop a pooled cash fund.

**14. 2020-015 CRA Fund (previously 2019-011)**

Agree: Management closed out the fund and the CRA by Ordinance #2021-13.

**15. 2020-016 Bonding Requirements**

Agree: City staff will review bonding requirements and establish new policy by resolution of the City Council.