

CITY OF STARKE, FLORIDA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2018**

REDDISH & WHITE
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF STARKE, FLORIDA

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REDDISH & WHITE

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Commission
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 discretely presented component unit of the City of Starke, Florida as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Starke, Florida as of September 30, 2018, 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 on pages 4 – 11, the budgetary comparison information on pages 52 – 53, and the required supplementary information concerning postemployment benefits and retirement plans on pages 54 - 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Starke, Florida's basic financial statements. The combining financial statements on pages 64 and 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019, on our consideration of the City of Starke, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Starke, Florida's internal control over financial reporting and compliance.

Reddish & White, CPA's

Starke, Florida
July 23, 2019

City of Starke
Management's Discussion and Analysis (Unaudited)
September 30, 2018

The City of Starke's (the City) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements which follows this discussion.

Financial and Other Highlights

- The City's general fund reported a decrease in fund balance of over \$266,000 for the year as operating expenditures exceeded operating revenues by approximately \$1,074,000. However, the actual loss was a \$233,000 positive variance with the budgeted (expected) loss. A \$808,819 transfer from the City's Utility System Revenue Fund was instrumental in covering the majority of excess of expenditures over revenues.
- The City's Utilities System Revenue Fund net position increased over \$130,000 from the prior year. This includes an operating income of approximately \$536,000.
- The City continues to recover from implementing GASB 68, accounting for pension plans, three years ago. As a result, the recognizing of the net pension liability and the related deferred inflows and outflows of resources on the statement of net position has a \$4,133,988 combined reduction on the net position as of September 30, 2018.

USING THIS ANNUAL REPORT

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, have a broader basis for comparison (year-to-year or government – to-government) and enhances the City's accountability.

This discussion and analysis is intended to serve as an introduction to the City of Starke's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities", rather than "fund types".

The Statement of Net Position presents information on all of the City's assets, deferred inflows, liabilities, and deferred outflows, with the difference between these reported as net position. The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This

statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user's fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads and streets and parks and recreation. The business-type activity of the City consists of the public utilities system.

The government-wide financial statements include only the City of Starke, which is known as the primary government. The Starke Community Redevelopment Agency is considered a component unit of the City. Financial information regarding this component unit is shown separately in the statements that follow this discussion.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statement presentations more familiar.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spending resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds, each of which is considered a major fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for

both funds.

The City adopts an annual appropriated budget for its General Fund, as well as the Transportation Trust Fund. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one proprietary fund type. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its electric, water, sewer and gas utility system. Historically, the activities of the different utility services have been accounted for in one proprietary fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's main fiduciary activity is the defined benefit retirement plan for all full-time employees.

The City accounts for members of its retirement system in three separate and legally distinct groups; the general employees', police employees' and fire employees' retirement funds. The activities for each retirement group are reported in the combining schedules, following this discussion.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following this discussion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets (and deferred outflows of resources) exceeded its liabilities (and deferred inflows of resources) by \$21,847,727, an increase of over \$161,000 (or less than 1%) from the prior year.

The following table reflects the condensed statement of net position for the current year as compared to the prior year. For more detailed information see the statement of net position.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and Other Assets	\$2,471,456	\$2,399,536	\$8,409,183	\$7,875,370	\$10,880,639	\$10,274,906
Capital Assets	2,926,453	2,775,786	18,160,874	18,984,158	21,087,327	21,759,944
Total Assets	5,397,909	5,175,322	26,570,057	26,859,528	31,967,966	32,034,850
Deferred Outflows of Resources	890,298	969,725	398,364	556,691	1,288,662	1,526,416
Liabilities						
Long Term Liabilities Outstanding	3,083,111	3,281,317	4,518,553	5,538,106	7,601,664	8,819,423
Other Liabilities	359,189	361,873	2,653,991	2,489,812	3,013,180	2,851,685
Total liabilities	3,442,300	3,643,190	7,172,544	8,027,918	10,614,844	11,671,108
Deferred Inflows of Resources	476,951	329,449	317,106	81,889	794,057	411,338
Net position						
Invested in Capital, Net of Related Deb	2,391,549	2,558,643	16,198,409	16,302,115	18,589,958	18,860,758
Restricted	1,455,287	1,120,207	988,917	884,491	2,444,204	2,004,698
Unrestricted	(1,477,880)	(1,506,442)	2,291,445	2,119,806	813,565	613,364
Total Net Position	\$2,368,956	\$2,172,408	\$19,478,771	\$19,306,412	\$21,847,727	\$21,478,820

Approximately 85% of the City's net position reflected above is invested in capital assets (e.g. land, buildings, improvements, infrastructure, and vehicles and equipment) less any related debt used to acquire those assets which are still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At September 30, 2018, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate business-type and fiduciary-type activities. The governmental activities report a deficit in the unrestricted net position. This is due primarily to the one-time prior period adjustment of \$1,999,000 as a result of implementing GASB 68, reporting for pension plans three years ago. This GASB requires the net pension liability to be recognized on the balance sheet (as is included in the long term liabilities above).

Statement of Activities

The following table reflects the condensed statement of activities for the current year as compared to the prior year. The beginning net position for 2018 was restated as further explained in the notes to the financial statements. For more detailed information see the statement of activities.

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Charges for Service	\$4,345	\$42,762	\$11,369,790	\$11,318,479	\$11,374,135	\$11,361,241
Operating Grants and Contributions	79,542	95,636	224,023	0	303,565	95,636
Capital Grants and Contributions	0	0	310,022	281,241	310,022	281,241
General Revenues						
Property Taxes	807,710	793,066	0	0	807,710	793,066
Other Taxes	1,758,112	1,735,036	0	0	1,758,112	1,735,036
Other Revenues	1,065,942	1,010,029	157,652	115,547	1,223,594	1,125,576
Total Revenues	3,715,651	3,676,529	12,061,487	11,715,267	15,777,138	15,391,796
Expenses						
General Government	973,086	1,102,605	0	0	973,086	1,102,605
Public Safety	3,084,095	2,823,176	0	0	3,084,095	2,823,176
Transportation	290,137	341,188	0	0	290,137	341,188
Culture and Recreation	127,901	131,137	0	0	127,901	131,137
Interest on Long-Term Debt	18,553	5,877	0	0	18,553	5,877
Public Utilities	0	0	11,121,719	11,198,706	11,121,719	11,198,706
Total Expenses	4,493,772	4,403,983	11,121,719	11,198,706	15,615,491	15,602,689
Increase (Decrease) in Net Position Before Transfers	(778,121)	(727,454)	939,768	516,561	161,647	(210,893)
Transfers	808,819	437,864	(808,819)	(437,864)	0	0
Change in Net Position	30,698	(289,590)	130,949	78,697	161,647	(210,893)
Net Position, beg of year	2,338,258	2,461,998	19,347,822	19,227,715	21,686,080	21,689,713
Net Position, end of year	\$2,368,956	\$2,172,408	\$19,478,771	\$19,306,412	\$21,847,727	\$21,478,820

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances that are useable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2018, the City's governmental funds reported combined ending fund balance of \$2,241,638 an increase of \$71,967 in comparison with the prior year increase of \$680,911. The increase is due primarily to the other financing sources: a transfer in from the City's proprietary fund of \$808,819.

Approximately 7% or \$153,143 of this ending fund balance is in unassigned fund balances, which is available for spending at the City's discretion. The remainder of the fund balance is either restricted or assigned to indicate that it is not available for new spending because it has already been designated for other purposes.

The General Fund is the chief operating fund of the City. As of September 30, 2018, the unassigned fund balance of the General Fund was \$153,143, while the total fund balance was \$803,110. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures and total fund balance.

Unassigned fund balance represents approximately 4% (down from 13% in the prior year) of total General Fund expenditures, while total fund balance represents 18% (down from 29% in the prior year) of total general fund expenditures.

The Transportation Trust Fund is used to account for revenues and expenditures associated with the construction, improvement and maintenance of roads and streets in the City. The fund balance for the Transportation Trust Fund increased by over \$338,000 even though a large loss of \$888,846 was budgeted for the fiscal year. The Transportation Trust Fund's fund balance at September 30, 2018 was \$1,438,528. This increase can be attributed to a decrease in capital related expenditures.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, just in more detail.

Unrestricted net position of the Utility Fund at September 30, 2018 was \$2,291,445. The Utility System has restricted net position of approximately \$988,917. These funds are specifically set aside for future bond and loan principal payments, and for repairs and maintenance.

General Fund Budgetary Highlights

The City budgets are based primarily on historic trends and forecasting provided by the State. There were no budget amendments during the year.

Actual General fund revenues were less than the final budgeted amounts by over \$382,000, or 11%. This was primarily due to over \$492,000 in a grants budgeted but not realized, offset by a favorable variance in licenses and permits of over \$59,000 and a favorable variance in miscellaneous revenues of over \$53,000.

The actual expenditures were approximately \$616,000 less than the final budgeted expenditures. The capital outlay of the culture and recreation department accounted for over \$490,000 of this favorable variance as budgeted projects were not realized. Most of the departments reported actual expenditures less than final budgeted expenditures except for the public safety department which reported actual expenditures in excess of final budgeted expenditures by over \$85,000.

As a result of all of the above, the General Fund had a positive overall variance of over \$233,000 when comparing actual amounts to budgeted amounts.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to approximately \$21.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure improvements, vehicles and equipment.

During the year, the City's governmental activities' capital expenditures totaled over \$571,000, including the acquisition of a \$435,000 level one custom pumper, and \$104,593 on machinery and equipment.

The utility department expended over \$307,000 on the sewer department, including over \$240,000 on construction in progress related to the sewer system (financed by a grant from the FDEP) and, over \$12,000 on lift station pump, and over \$54,000 on land and structure improvements.

A summary of the fixed assets, net of depreciation, as of September 30, 2018 and 2017 is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$178,460	\$178,460	\$1,589,397	\$1,581,648	\$1,767,857	\$1,760,108
Infrastructure	1,019,991	1,094,984	0	0	1,019,991	1,094,984
Land Improvements	2,393	2,721	0	0	2,393	2,721
Buildings and Improvements	787,927	862,997	231,936	249,680	1,019,863	1,112,677
Utility Plant in Service	0	0	14,230,779	15,051,845	14,230,779	15,051,845
Machinery and Equipment	905,307	636,624	1,411,492	1,643,940	2,316,799	2,280,564
Construction in Progress	32,375	0	697,270	457,045	729,645	457,045
Total Net Assets	\$2,926,453	\$2,775,786	\$18,160,874	\$18,984,158	\$21,087,327	\$21,759,944

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report.

Long-term Debt

At the end of the current fiscal year, the City had a total long-term debt outstanding of \$8,419,113. This includes the net pension liability as a result of implementing GASB 68 in prior years. A summary of long-term debt obligations of the City follows:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Compensate Absences	\$121,648	\$133,440	\$84,095	\$78,411	\$205,743	\$211,851
Revenue and Refunding Bonds	0	0	460,000	915,000	460,000	915,000
Notes Payable	534,904	640,554	1,502,463	1,767,043	2,037,367	2,407,597
Net OPEB Obligation	685,617	303,229	401,793	76,806	1,087,410	380,035
Net Pension Liability	1,870,313	2,336,102	2,758,280	3,391,132	4,628,593	5,727,234
Total Long Term Debt	\$3,212,482	\$3,413,325	\$5,206,631	\$6,228,392	\$8,419,113	\$9,641,717

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements in this report.

Economic Environment and Next Year's Budgets and Rates

The State of Florida, by Constitution, does not have a state personal income tax and, therefore, the State operates primarily from using sales, gasoline and corporate income taxes. Local governments primarily rely on property and a limited array of permitted taxes (sales, gasoline, utilities services, etc) and fees (franchise, occupational licenses, etc.) to finance governmental activities. There are also a limited number of state-shared revenues and recurring and non-recurring grants from both the state and federal governments.

Requests for Information

This financial report is designed to provide a general overview of the City of Starke's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, 209 North Thompson Street, Starke, FL 32091.

City of Starke, Florida

Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency
Assets				
Current Assets				
Cash and Cash Equivalents	\$1,578,168	\$3,262,834	\$4,841,002	\$2,240
Internal Balances	(728,565)	728,565	0	0
Accounts Receivable, Net	0	1,767,085	1,767,085	0
Prepaid Expenses and Other	58,187	15,592	73,779	0
Inventory	0	563,240	563,240	0
Due from Other Governments	108,379	167,691	276,070	0
Restricted Assets				
Cash and Cash Equivalents	1,455,287	1,228,066	2,683,353	0
Investments	0	676,110	676,110	0
Capital Assets:				
Capital Assets, Not Depreciated	210,835	2,286,668	2,497,503	0
Other Capital Assets, Net of Depreciation	2,715,618	15,874,206	18,589,824	0
Total Assets	5,397,909	26,570,057	31,967,966	2,240
Deferred Outflow of Resources	890,298	398,364	1,288,662	0
Total Assets and Deferred Outflows	\$6,288,207	\$26,968,421	\$33,256,628	\$2,240
Liabilities				
Accounts Payable and Accrued Liabilities	195,331	850,832	1,046,163	0
Unearned Revenue	34,487	0	34,487	0
Rate Stabilization Payable	0	128,739	128,739	0
Customer Deposits	0	986,342	986,342	0
Noncurrent Liabilities:				
Long Term Obligations, Current Portion	129,371	688,078	817,449	0
Long Term Obligations, Noncurrent Portion	3,083,111	4,518,553	7,601,664	0
Total Liabilities	3,442,300	7,172,544	10,614,844	0
Deferred Inflow of Resources	476,951	317,106	794,057	0
Total Liabilities and Deferred Inflows	3,919,251	7,489,650	11,408,901	0
Net Position				
Invested in Capital Assets, Net of Related Debt	2,391,549	16,198,409	18,589,958	0
Restricted for:				
Debt Service	0	150,698	150,698	0
Renewal and Replacement	0	757,356	757,356	0
Customer Deposits	0	80,863	80,863	0
Transportation	1,438,528	0	1,438,528	0
Public Safety	15,467	0	15,467	0
Other	1,292	0	1,292	2,240
Unrestricted	(1,477,880)	2,291,445	813,565	0
Total Net Position	2,368,956	19,478,771	21,847,727	2,240
Total Liabilities and Net Position	\$6,288,207	\$26,968,421	\$33,256,628	\$2,240

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Activities
For the Year Ended September 30, 2018

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Community Redevelopment Agency
					Governmental Activities	Business-Type Activities		
Functions/Programs								
Government Activities:								
General Government	\$973,086	\$0	\$0	\$0	(\$973,086)	\$0	(\$973,086)	
Public Safety	3,084,095	4,345	79,542	0	(3,000,208)	0	(3,000,208)	
Roads and Streets	290,137	0	0	0	(290,137)	0	(290,137)	
Culture and Recreation	127,901	0	0	0	(127,901)	0	(127,901)	
Interest on Long-term Debt	18,553	0	0	0	(18,553)	0	(18,553)	
Total Governmental Activities	<u>4,493,772</u>	<u>4,345</u>	<u>79,542</u>	<u>0</u>	<u>(4,409,885)</u>	<u>0</u>	<u>(4,409,885)</u>	
Business-type Activities:								
Electric System	7,932,529	8,332,463	104,983	0	0	504,917	504,917	
Water System	611,760	882,331	119,040	0	0	389,611	389,611	
Sewer System	1,956,030	1,691,854	0	310,022	0	45,846	45,846	
Gas System	621,400	463,142	0	0	0	(158,258)	(158,258)	
Total Business-type Activities	<u>11,121,719</u>	<u>11,369,790</u>	<u>224,023</u>	<u>310,022</u>	<u>0</u>	<u>782,116</u>	<u>782,116</u>	
Total Primary Government	<u>15,615,491</u>	<u>11,374,135</u>	<u>303,565</u>	<u>310,022</u>	<u>(4,409,885)</u>	<u>782,116</u>	<u>(3,627,769)</u>	
Component Unit								
Community Redevelopment Agency	<u>\$175</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$175)</u>	
General Revenues:								
Property Taxes					807,710	0	807,710	0
Utility Taxes					924,211	0	924,211	0
Fines and Forfeitures					25,327	0	25,327	0
Intergovernmental					581,752	0	581,752	0
Gas Taxes					833,901	0	833,901	0
Licenses, Fees, and Permits					292,056	0	292,056	0
Investment Income					1,397	16,626	18,023	0
Miscellaneous					165,410	141,026	306,436	0
Total General Revenues					<u>3,631,764</u>	<u>157,652</u>	<u>3,789,416</u>	<u>0</u>
Transfers					808,819	(808,819)	0	0
Increase (Decrease) in Net Position					30,698	130,949	161,647	(175)
Net Position, Beginning of Year, Restated					<u>2,338,258</u>	<u>19,347,822</u>	<u>21,686,080</u>	<u>2,415</u>
Net Position, Ending of Year					<u>\$2,368,956</u>	<u>\$19,478,771</u>	<u>\$21,847,727</u>	<u>\$2,240</u>

See accompanying notes to the financial statements.

City of Starke, Florida

Balance Sheet - Government Funds
September 30, 2018

	<u>General</u>	<u>Transportation Trust</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$1,678,294	\$1,355,161	\$3,033,455
Prepaid Expenses	50,563	7,624	58,187
Due from other Funds	0	168,667	168,667
Due from other Governments	108,379	0	108,379
	<u>1,837,236</u>	<u>1,531,452</u>	<u>3,368,688</u>
Total Assets	<u>\$1,837,236</u>	<u>\$1,531,452</u>	<u>\$3,368,688</u>
Liabilities			
Accounts Payable and Accrued Expenses	\$81,139	\$1,738	\$82,877
Deferred Revenue	34,487	0	34,487
Due to Other Funds	918,500	91,186	1,009,686
	<u>1,034,126</u>	<u>92,924</u>	<u>1,127,050</u>
Total Liabilities	<u>1,034,126</u>	<u>92,924</u>	<u>1,127,050</u>
Fund Balances			
Nonspendable	50,563	0	50,563
Restricted	16,759	1,438,528	1,455,287
Assigned	582,645	0	582,645
Unassigned	153,143	0	153,143
	<u>803,110</u>	<u>1,438,528</u>	<u>2,241,638</u>
Total Fund Balances	<u>803,110</u>	<u>1,438,528</u>	<u>2,241,638</u>
Total Liabilities and Fund Balances	<u>\$1,837,236</u>	<u>\$1,531,452</u>	<u>\$3,368,688</u>

See accompanying notes to the financial statements.

City of Starke, Florida

Reconciliation of the Balance Sheet of Government Funds
to the Statement of Net Position
September 30, 2018

Total Fund Balance - Total Governmental Funds		\$2,241,638
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$14,923,504, net of accumulated depreciation of \$11,997,051, are not financial resources and, therefore, are not reported in the funds.		
		2,926,453
Long-term liabilities are not due and payable in the current period and accordingly, are not reported in the governmental funds. Governmental long-term liabilities consist of:		
Note Payable	(534,904)	
Compensated Absences	(121,648)	
Other Postemployment Benefit Obligations	(685,617)	
Net Pension Liability	<u>(1,870,313)</u>	
Total Governmental Long-term Liabilities		<u>(3,212,482)</u>
Deferred inflows and outflows of resources in governmental funds are susceptible to full accrual on the entity-wide financial statements:		
Deferred Inflows of Resources		(476,951)
Deferred Outflows of Resources		<u>890,298</u>
Total Net Position of Governmental Activities		<u><u>\$2,368,956</u></u>

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

	<u>General</u>	<u>Transportation Trust</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$2,129,304	\$436,518	\$2,565,822
Licenses and Permits	292,056	0	292,056
Intergovernmental	574,229	87,066	661,295
Charges for Services	4,345	0	4,345
Fines and Forfeitures	25,327	0	25,327
Miscellaneous Revenues	168,099	15,081	183,180
Total Revenues	<u>3,193,360</u>	<u>538,665</u>	<u>3,732,025</u>
Expenditures			
Current			
General Government	714,744	0	714,744
Public Safety	2,750,855	0	2,750,855
Transportation	0	197,389	197,389
Culture and Recreation	87,718	0	87,718
Capital Outlay			
General Government	26,772	0	26,772
Public Safety	528,971	0	528,971
Transportation	0	3,250	3,250
Culture and Recreation	34,975	0	34,975
Debt Service			
Principal	121,048	0	121,048
Interest	3,155	0	3,155
Total Expenditures	<u>4,268,238</u>	<u>200,639</u>	<u>4,468,877</u>
Revenues Over (Under) Expenditures Before Other Financing Sources	(1,074,878)	338,026	(736,852)
Other Financing Sources			
Transfers In	<u>808,819</u>	<u>0</u>	<u>808,819</u>
Total Other Financing Sources	<u>808,819</u>	<u>0</u>	<u>808,819</u>
Net Change in Fund Balance	(266,059)	338,026	71,967
Fund Balances, Beginning of Year	<u>1,069,169</u>	<u>1,100,502</u>	<u>2,169,671</u>
Fund Balances, End of Year	<u>\$803,110</u>	<u>\$1,438,528</u>	<u>\$2,241,638</u>

See accompanying notes to the financial statements.

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, 2018

Net Change in Fund Balances - Total Governmental Funds		\$71,967
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. The differences consist of the following:		
Depreciation	(404,926)	
Capital Outlay - Net	<u>555,593</u>	150,667
The repayment of debt principal is an expense in the governmental funds, but the repayment reduces long-term debt in the statement of net position. This is the amount of principal payments during this fiscal year.		
		105,650
Compensated absences are recorded when paid in the governmental funds. This is the amount the compensated absences decreased during this fiscal year.		
		11,792
Other Postemployment Benefits (OPEB) are recorded when paid in the governmental funds. This is the amount the OPEB liabilities increased during this fiscal year.		
		(291,257)
The Net Pension Liability is recorded when paid in the governmental funds. This is the amount the Net Pension Liability decreased during the year.		
		465,789
Changes in Deferred outflows of resources and deferred Inflows of resources do not require the use of current financial resources and therefore the increases or decreases in these accounts are not reported in governmental funds. The net changes are as follows:		
Deferred Outflows of Resources		(336,408)
Deferred Inflows of Resources		<u>(147,502)</u>
Change in Net Position of Governmental Activities		<u><u>\$30,698</u></u>

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Net Position - Proprietary Fund September 30, 2018

Assets

Current Assets

Cash and Cash Equivalents	\$3,262,834
Accounts Receivable, net	1,767,085
Prepaid Expenses and Other	15,592
Due from Other Funds	728,565
Due from Other Governments	167,691
Inventory	563,240

Total Current Assets 6,505,007

Noncurrent Assets

Restricted Assets

Cash and Cash Equivalents	1,228,066
Investments	676,110
Capital Assets, Net of Depreciation	16,571,476
Capital Assets, not Depreciated	1,589,398

Total Noncurrent Assets 20,065,050

Total Assets 26,570,057

Deferred Outflows of Resources 398,364

Total Assets and Deferred Outflow of Resources \$26,968,421

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	\$850,832
Compensated Absences, Current Portion	14,000
Rate Stabilization Payable	128,739
Notes Payable, Current Portion	214,078
Bonds Payable, Current Portion	460,000

Restricted:

Customer Deposits	986,342
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Total Current Liabilities 2,653,991

Long-term Liabilities

Notes Payable, Net of Current Portion	1,288,387
Compensated Absences, Net of Current Portion	70,093
Net OPEB Obligation	401,793
Net Pension Liability	2,758,280

Total Long-term Liabilities 4,518,553

Total Liabilities 7,172,544

Deferred Inflows of Resources 317,106

Total Liabilities and Deferred Outflows of Resources 7,489,650

Net Position

Invested in Capital Assets, Net of

Related Debt 16,198,409

Restricted 988,917

Unrestricted 2,291,445

Total Net Position 19,478,771

Total Liabilities and Net Position \$26,968,421

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Fund
For the Year Ended September 30, 2018

Operating Revenues	
Charges for Services	\$11,369,789
Miscellaneous Revenues	246,008
	<hr/>
Total Operating Revenues	11,615,797
	<hr/>
Operating Expenses	
Personnel Costs	2,426,638
Operations and Maintenance	7,512,601
Depreciation and Amortization	1,140,332
	<hr/>
Total Operating Expenses	11,079,571
	<hr/>
Operating Income (Loss)	536,226
Nonoperating Revenue (Expenses)	
Grant Revenue	429,062
Investment Income	16,626
Interest Expense	(42,146)
	<hr/>
Total Nonoperating Income (Expense)	403,542
	<hr/>
Income (Loss) before Transfers Out	939,768
Net Transfers Out	(808,819)
Change in Net Position	130,949
Net Position, Beginning of Year, Restated	19,347,822
	<hr/>
Net Position, End of Year	\$19,478,771
	<hr/> <hr/>

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Cash Flows - Proprietary Fund For the Year Ended September 30, 2018

Cash Flows from Operating Activities	
Cash Received from Customers	\$11,731,628
Payments to Suppliers of Goods and Services	(7,622,615)
Payments to Employees	(2,179,460)
Net Cash Provided by Operating Activities	<u>1,929,553</u>
Cash Flows from Noncapital Financing Activities	
Net Operating Transfers	<u>(808,819)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(317,048)
Interest paid on Long term Debt	(42,146)
Capital Grants Received	297,504
Principal paid on Long term Debt	(719,578)
Net Cash Used for Capital and Financing Activities	<u>(781,268)</u>
Cash Flows from Investing Activities	
Interest Received	16,516
Net Cash Provided by investing Activities	<u>16,516</u>
Net Increase (Decrease) in Cash and Cash Equivalents	355,982
Cash and Cash Equivalents, Beginning of Year	<u>4,134,918</u>
Cash and Cash Equivalents, End of Year	<u><u>\$4,490,900</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$536,226
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	1,140,332
Change in Assets and Liabilities	
Accounts Receivable, Net	(8,110)
Rate Stabilization Payable	103,233
Prepaid Expenses and Other	(15,592)
Inventory	(14,786)
Deferred Inflows of Resources	235,217
Accounts Payable and Accrued Expenses	(71,961)
Due to Other Funds	(7,675)
Compensated Absences	5,682
Customer Deposits	20,708
Net OPEB Obligation	245,708
Deferred Outflows of Resources	393,423
Net Pension Liability	(632,852)
Net Cash Provided By Operating Activities	<u><u>\$1,929,553</u></u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet	
Unrestricted Cash and Cash Equivalents	\$3,262,834
Restricted Cash and Cash Equivalents	1,228,066
Total Cash and Cash Equivalents, End of Year	<u><u>\$4,490,900</u></u>

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Fiduciary Net Position

Employees' Retirement System

September 30, 2018

	Total Employees' Retirement System
Assets	
Cash and Cash Equivalents	\$426,176
Investments, at fair value	17,408,800
Accrued Interest	27,449
Due from Other Funds	130,015
	<hr/>
Total Assets	17,992,440
	<hr/>
Liabilities	
Accounts Payable	68,101
Due to other Funds	21,187
Share Plan Payable	194,952
Deferred Retirement Liability (DROP)	409,216
	<hr/>
Total Liabilities	693,456
	<hr/>
Net Position Held in Trust For Employees' Pension Benefits	\$17,298,984
	<hr/> <hr/>

See accompanying notes to the financial statements.

City of Starke, Florida

Statement of Changes in Fiduciary Net Position

Employees' Retirement System

For the Year Ended September 30, 2018

	Total Employees' Retirement System
Additions (Deductions)	
Contributions	
Employees	\$44,665
City on behalf of Employees	110,089
City	<u>1,008,470</u>
Total Contributions	<u>1,163,224</u>
Investment Income	
Interest and Dividend Income	353,037
Gain (Loss) on Sale of Investments	(291,782)
Net Increase (Decrease) in Fair Value of Investments	1,824,695
Investment Fees	(113,461)
Miscellaneous	<u>146</u>
Net Investment Income	<u>1,772,635</u>
Other Deductions	
DROP Provision	176,148
DROP Interest Expense	24,497
Annuities Paid	1,398,425
Share Plan Expense	45,612
Operating Expenses	<u>159,929</u>
Total Other Deductions	<u>1,804,611</u>
Change in Net Position	1,131,248
Net Position, Begin of Year,	<u>16,167,736</u>
Net Position, End of Year	<u><u>\$17,298,984</u></u>

See accompanying notes to the financial statements.

City of Starke, Florida
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Starke, Florida (the City), conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies:

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 this financial statement 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 government 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.

The City has one component unit; the Starke Community Redevelopment Agency, which is discretely presented. The legal authority for the Starke Community Redevelopment Agency is established in 163.356, Florida Statutes.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are separate from business-type activities, which rely to a significant extent on fees and charges for support.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Separate fund 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 the City's enterprise fund are reported as separate columns in the fund financial statements.

GASB Statement No. 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments set forth minimum criteria for the determination of major funds. All funds of the City are presented in these financial statements.

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.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - the City's primary operating fund; used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General 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 one major proprietary 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.

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports one fiduciary fund, the Employees' Retirement System. This is used to account for contributions to and retiree benefit payments of the City's employee retirement system.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's public utilities function and various other functions of the City, as well as charges from the City's garage (general fund) to other funds for services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities System Revenue (Enterprise) Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Fund Equity

Cash Equivalents and the Statement of Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, to be cash equivalents.

Investments

Section 218.415, Florida Statutes, authorizes the City to invest in the Local Government Surplus Trust Fund, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States Government, time deposits and savings accounts of Florida Qualified Public Depositories, obligations of Federal Farm Credit Banks, obligations of the Federal National Mortgage Association or other instruments prescribed by Ordinance of the City Commission.

The City adopted an investment policy concerning the Employees' Retirement System. The policy allows the purchase of a certain percentage of common stocks, mutual funds, preferred stocks, convertible securities and corporate bonds. The investment policy also allows the purchase of U.S. Government securities, certificates of deposit, money market funds, and corporate and municipal obligations.

Note 1 - Summary of Significant Accounting Policies (continued)

Investments acquired by the City's Employees' Retirement System are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's investments are valued using Level 1 inputs.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables

Accounts receivable of \$108,379 for governmental activities (reported as due from other governments) and \$1,767,085 for business-type activities are reported net of an allowance for uncollectible accounts receivable. As of September 30, 2018, this allowance was \$0 for governmental activities and \$15,000 for business-type activities.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

Restricted Assets

Certain assets of the governmental activities, representing cash and investments, are classified as restricted on the statement of net assets because they are limited as to use by Federal, State or local law.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Capital assets are defined by the City, as items with an individual cost of \$3,000 or more and an estimated useful life of one year or more. Such assets are recorded at historical cost if purchased or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

Note 1 - Summary of Significant Accounting Policies (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

Deferred Inflows / Outflows of Resources

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources until that future time. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities. The City reports deferred outflows and inflows of resources related to pension and other postemployment benefits (OPEB).

The differences between expected and actual earnings on plan investments and expected and actual experience with regard to economic or demographic factors in the measurement of total pension and OPEB liability are reported as deferred inflows or outflows or resources, to be recognized in expense as disclosed in Note 8 and Note 9. Employer contributions made between the net pension and OPEB measurement date and the employer's fiscal year-end are recognized as deferred outflows of resources, to be recognized as a reduction of the net pension liability in the subsequent year.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities of the government-wide financial statements or proprietary fund statement of net position.

Compensated Absences

The City's policy is to allow limited vesting of employee vacation and sick pay. The City has set limits on the number of vacation hours that can be carried over from one calendar year to the next. Employees are allowed to accumulate 240 vacation hours, except firefighters, who are allowed to accumulate 312 hours. Employees receive 25% of unused sick leave upon retirement with a maximum payout accrual of 250 hours.

The City records accrued vacation leave as an expense and a liability of the appropriate fund as benefits accrue to employees. The benefits are earned by the employees when both of the following conditions are met:

- a. The employees' right to receive compensation was attributable to services already rendered.
- b. It is probable that the City would compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination.

Note 1 - Summary of Significant Accounting Policies (continued)

The City records accrued sick leave based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. In addition, an estimate has been made to accrue sick leave benefits for employees expected to become eligible to receive a termination payment for sick leave.

The Utilities System Revenue Fund reports all liabilities for compensated absences in both the government-wide and the proprietary fund statements, because they are accrued when incurred. The General Fund reports 100% of the amount due in the government-wide statements because it is an accruable expense; however no liability is reported in the governmental fund statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s pension plans and additions to / deductions from the pension plan net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employer contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned:

Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be intact. This classification represents an amount for prepaid expenses.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation. At September 30, 2018 the City had the following restrictions on fund balances:

	<u>General Fund</u>	<u>Special Rev Funds Transportation Trust</u>	<u>Component Unit Community Redevelopment</u>
<u>Restricted for:</u>			
Public Safety	\$15,467	\$0	\$0
Economic Environment	0	0	2,240
Transportation	0	1,438,528	0
Other	1,292	0	0
Totals	<u>\$16,759</u>	<u>\$1,438,528</u>	<u>\$2,240</u>

Committed – amounts that can be used only for specific purposes determined by a formal action by City commission ordinance.

Note 1 - Summary of Significant Accounting Policies (continued)

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body which the Commission delegates authority. The City Commission and City Clerk (delegate) have assigned \$582,645 in fund balance for general government purposes.

Unassigned – amounts that are available for any purpose.

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

Net Position

Government-wide and proprietary fund net positions are divided into three components:

Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws and regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation. The composition of restricted net position at September 30, 2018 is as follows:

Governmental activities:

Transportation (Road and Streets)	\$1,438,528
Public Safety	15,467
Other	<u>1,292</u>
Total governmental activities	<u>1,455,287</u>

Business-type activities:

Renewal & Replacement	757,356
Customer Deposits	80,863
Debt Service	<u>150,698</u>
Total business-type activities	<u>988,917</u>

Total Restricted Net Position \$2,444,204

Of the \$2,444,204 of restricted net position reported by the City, \$1,455,287 is restricted by enabling legislation.

Unrestricted net position – consists of all other net position.

Note 1 - Summary of Significant Accounting Policies (concluded)

As a result of implementing GASB 68 in the prior years, the governmental activities had a deficit balance in unrestricted net assets of \$1,477,880 at September 30, 2018. The governmental activities deficit is anticipated to be funded through normal operations and a reduction of expenses and an increase in transfers in, if necessary.

Restatement of Net Position

The beginning balance in net position was restated as a result of (1) implementation of GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and for (2) a correction of a prior period error in accounting for accounts payable and accrued expenses, as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position, Beginning of Year, as originally reported	\$2,172,408	\$19,306,412
Restatement	<u>165,850</u>	<u>41,410</u>
Net Position, Beginning of Year, As Restated	<u>\$2,338,258</u>	<u>\$19,347,822</u>
Components of the restatement consist of:		
Implementation of GASB 75 (detail below)	\$165,850	\$155,817
Prior period error	<u>0</u>	<u>(114,407)</u>
Net Restatement	<u>\$165,850</u>	<u>\$ 41,410</u>

The City implemented GASB No. 75 (which replaces GASB Statement No. 45). This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources (where applicable), and expenses on the face of the financial statement for the OPEB that they may provide; and requires more extensive note disclosures and supplementary information about the government's OPEB liability. As a result of the implementation of this statement, beginning net position was increased as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Components of the GASB 75 restatement consist of:		
Deferred Outflows of Resources – OPEB Related	\$256,980	\$235,096
Other Postemployment Liability	<u>(91,130)</u>	<u>(79,279)</u>
Net Restatement	<u>\$165,850</u>	<u>\$155,817</u>

Note 2 – Property Taxes

Property Taxes

The Bradford County Tax Collector bills and collects property taxes for the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Property taxes are levied on November 1 of each year, on property values assessed on January 1 of the same year and are due and payable on March 31 of the following year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of

Note 2 – Property Taxes (concluded)

December, 2% in the month of January and 1% in the month of February. Taxes paid in March are not subject to discount. The City also accepts installment payments, with the first installment due no later than June 30, and subsequent installments due quarterly after the initial installment due date. All unpaid taxes are delinquent on April 1 following the year in which they are assessed. On or about May 31 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made to the certificate holder after a period of two years. Unsold certificates are held by the county.

Note 3 – Budgets

The preparation, adoption, and amendment of the budgets are governed by the Florida Statutes. The fund is the legal level of control. Budgets are prepared on a basis that is not materially different from generally accepted accounting principles (GAAP). Appropriations lapse at year end. Budgeted excess expenditures over revenues, if any, are funded through transfers in and use of the fund balance reserve.

Note 4 – Cash Deposits and Investments

Deposits and Investments

The City's cash deposits (including time certificates of deposits classified as investments) at September 30, 2018 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 investments (at fair value) balance in the City's pension trust funds as of September 30, 2018 is \$17,408,800. Credit rating information for rated investments held, according to Standard and Poor's, as of September 30, 2018, are as follows:

Investment Type	Fair Value	Credit Rating				
		not rated	AA	A	BB	BBB
Collateral. Mortg Obligations	\$118,966	\$118,966	\$0	\$0	\$0	\$0
U.S. Treasury Obligations	809,126	809,126	0	0	0	0
U.S. Government Agencies	193,100	193,100	0	0	0	0
Municipal Obligations	99,590	99,590	0	0	0	0
Corporate Bonds	2,042,918	0	0	659,670	0	1,383,248
Common Equity Securities	10,128,649	10,128,649	0	0	0	0
Equity Mutual Funds	3,190,174	3,190,174	0	0	0	0
Fixed Income Mutual Funds	826,277	826,277	0	0	0	0
Total	\$17,408,800	\$15,365,882	\$0	\$659,670	\$0	\$1,383,248

Note 4 - Deposits and Investments (continued)

Deposits and Investments

Investment maturities as of September 30, 2018, are as follows:

Investment Type	Fair Value	Maturity is	Investment Maturities (In Years)			
		Not Applicable	Less Than 2	2-5	5-10	More Than 10
Collateral. Mortg Obligatns	\$118,966	\$0	\$0	\$0	\$0	\$118,966
U. S. Treasury Obligations	809,126	809,126	0	0	0	0
U. S. Government Agencies:	193,100	0	0	0	193,100	0
Municipal Obligations	99,590	0	0	99,590	0	0
Corporate Bonds	2,042,918	0	491,523	1,114,464	436,931	0
Common Equity Securities	10,128,649	10,128,649	0	0	0	0
Equity Mutual Funds	3,190,174	3,190,174	0	0	0	0
Fixed Income Mutual Funds	826,277	826,277	0	0	0	0
Total	\$17,408,800	\$14,954,226	\$491,523	\$1,214,054	\$630,031	\$118,966

Credit Risk: 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 following items discuss the City and the pension funds' exposure to various risks in primarily the fixed rate portions of their investment portfolios:

Interest Rate Risk: 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 investments have maturities of no more than one year. The City pension plan investment policies do not have any restrictions as to the maturity or duration of fixed income securities.

Concentration of Credit Risk:

The City does not have a policy that limits the amount that may be invested in any type of investment. However, the City generally limits its' investments to certificates of deposit and money market accounts.

The pension plans have the following restrictions:

General, Police and Fire Pension Investments

The City's general, police and fire pension boards limit the investment categories concerning equities and fixed income securities. The general, police and fire pension boards limit the investment in equities and fixed income securities to 75% and 40%, respectively, of the total invested assets. Also, the general and fire pension boards have set minimum invested balances for equities and fixed income securities which are 35% and 40%, respectively. The police pension board has set the minimum investment balances for equities and fixed income securities to be 35% and 30%, respectively. No limitations are placed on investments of U.S. obligations.

Note 4 - Deposits and Investments (concluded)

The general and fire pension board investment policy limits the investment in any one equity investment to 4% of the total funds invested. The police pension board investment policy limits the investment in any one equity investment to 5% of the total funds invested.

Also, general and fire pension boards have set limits on fixed income securities, which cannot exceed 5% of any one issuer. However, concerning fixed income securities, the police pension board does not have any limit on any one issuer.

Note 5 – Capital Assets

Capital Assets

Capital assets activity for the year ended September 30, 2018 was as follows:

Government Activities:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets Not Depreciated:					
Land	\$178,460		\$0		\$178,460
Construction in Progress	0	32,375	0	0	32,375
Total	178,460	32,375	0	0	210,835
Capital Assets Depreciated:					
Infrastructure	9,830,245	0	0	0	9,830,245
Land Improvements	10,048	0	0	0	10,048
Buildings and Improvements	2,424,841	0	0	0	2,424,841
Machinery and Equipment	2,276,389	539,593	368,447	0	2,447,535
Total	14,541,523	539,593	368,447	0	14,712,669
Less Accumulated Depreciation:					
Infrastructure	8,735,261	74,993	0	0	8,810,254
Land Improvements	7,327	328	0	0	7,655
Buildings and Improvements	1,561,844	75,070	0	0	1,636,914
Machinery and Equipment	1,639,765	254,535	352,072	0	1,542,228
Total	11,944,197	404,926	352,072	0	11,997,051
Total Capital Assets being Depreciated, net	2,597,326	134,667	16,375	0	2,715,618
Government Activities Capital Assets, Net	\$2,775,786	\$167,042	\$16,375	\$0	\$2,926,453

Depreciation expense was charged to government programs of the City as follows:

Governmental Activities	
General Government	\$ 79,467
Public Safety	183,578
Transportation	104,299
Culture and Recreation	37,582
Total Depreciation Expense	\$ 404,926

Note 5 – Capital Assets (concluded)

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets Not Depreciated:					
Land	\$1,581,648	\$7,750	\$0		\$1,589,398
Construction in Progress	457,045	240,225	0	0	697,270
	<u>2,038,693</u>	<u>247,975</u>	<u>0</u>	<u>0</u>	<u>2,286,668</u>
Capital Assets Depreciated:					
Buildings and Improvements	1,105,770	9,960	0	0	1,115,730
Utility Plant Improvements	32,657,882	36,304	0	0	32,694,186
Machinery and Equipment	5,753,701	22,809	0	0	5,776,510
	<u>39,517,353</u>	<u>69,073</u>	<u>0</u>	<u>0</u>	<u>39,586,426</u>
Total					
Less Accumulated Depreciation:					
Buildings and Improvements	856,090	27,704	0	0	883,794
Utility Plant Improvements	17,606,037	857,372	0	0	18,463,409
Machinery and Equipment	4,109,761	255,256	0	0	4,365,017
	<u>22,571,888</u>	<u>1,140,332</u>	<u>0</u>	<u>0</u>	<u>23,712,220</u>
Total					
Total Capital Assets being Depreciated, net	<u>16,945,465</u>	<u>(1,071,259)</u>	<u>0</u>	<u>0</u>	<u>15,874,206</u>
Business-Type Activities Capital Assets, Net	<u><u>\$18,984,158</u></u>	<u><u>(\$823,284)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$18,160,874</u></u>

Depreciation expense was charged to business-type activities of the City as follows:

Business-type Activities	
Electric System	\$ 291,393
Water System	111,424
Sewer System	730,030
Gas System	7,485
	<u> </u>
Total Depreciation Expense	<u><u>\$ 1,140,332</u></u>

Note 6 – Interfund Balances and Interfund Transfers

Interfund Balances and Interfund Transfers

Interfund balances outstanding relate primarily to reimbursement of operating expenses. All of the amounts are expected to be repaid within one year. Interfund transfers during the year consisted of a \$808,819 transfer out from the Utilities System Revenue Fund to the General Fund.

Note 7 - Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended September 30, 2018. The beginning of the year balances for the other postemployment benefit obligations was restated due to the implementation of GASB 75.

	<u>Balance</u> <u>10/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Notes Payable	\$ 640,554	\$ -	\$ 105,650	\$ 534,904	\$ 87,156
Other Postemployment Benefit Obligations	394,360	291,257	-	685,617	-
Net Pension Liability	2,336,102	-	465,789	1,870,313	-
Compensated Absences	133,440	-	11,792	121,648	42,215
Long-Term Liabilities	<u>\$ 3,504,456</u>	<u>\$ 291,257</u>	<u>\$ 583,231</u>	<u>\$ 3,212,482</u>	<u>\$ 129,371</u>
Business-Type Activities					
Notes Payable	\$ 1,766,543	\$ -	\$ 264,080	\$ 1,502,463	\$ 214,078
Revenue Bond Payable	915,000	-	455,000	460,000	460,000
Other Postemployment Benefit Obligations	156,085	245,708	-	401,793	-
Net Pension Liability	3,391,132	-	632,852	2,758,280	-
Compensated Absences	78,411	5,684	-	84,095	14,000
Long-Term Liabilities	<u>\$ 6,307,171</u>	<u>\$ 251,392</u>	<u>\$ 1,351,932</u>	<u>\$ 5,206,631</u>	<u>\$ 688,078</u>

Governmental-Type Activities

Note Payable

\$184,000 – 2014 Police Vehicle Note, to acquire six 2014 Dodge Chargers for the police department. Note is payable in quarterly installments of \$9,806 including interest at 2.60% per annum, final payment is due April 2019; secured by six vehicles with an original cost of \$174,110. \$ 19,398

\$125,000 – 2015 Police Vehicle Note, to acquire three 2016 Dodge Chargers and one 2016 Ford Expedition for the police department. Note is payable in quarterly installments of \$6,687 including interest at 2.60% per annum, final payment is due January 2012; secured by the four vehicles with an original cost of \$125,456 58,257

\$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 4.35% (3.44% as of September 30, 2018); final payment is due May 24, 2027; secured by the fire truck with an original cost of \$435,000. 457,249

Total Notes Payable \$534,904

Note 7 - Long-term Obligations (continued)

The annual requirements for the next five years and then in increments five-year periods to pay the notes payable for government-type activities as of September 30, 2018, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$88,293	\$16,274	\$104,567
2020	68,973	16,006	84,979
2021	52,437	12,883	65,320
2022	47,043	11,187	58,230
2023	48,661	9,569	58,230
Thereafter	<u>229,497</u>	<u>20,949</u>	<u>250,446</u>
Totals	<u>\$534,904</u>	<u>\$86,868</u>	<u>\$621,772</u>

Business-Type Activities

Notes Payable

\$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 at 65% of the JP Morgan Prime rate (Index) minus .25% (1.86% as of September 2018); currently paid in monthly installments of \$12,858, final payment is due October 2023. \$742,639

\$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. 579,061

\$119,000 – 2015 note to purchase a bucket truck. Loan is secured by a pledge of the electric system revenue. Interest rate is fixed at 2.280% and payable in monthly installments of \$2,598; final payment due September, 2019. 30,783

Department of Environmental Protection Clean Water State Revolving Loan – Total funding awarded is \$835,986 of which \$647,137 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 is 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. 149,980

Total Notes Payable \$1,502,463

Note 7 - Long-term Obligations (continued)

The annual requirements for the next five years and then in increments five-year periods to pay the notes payable for business-type activities as of September 30, 2018, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$212,492	\$20,074	\$232,566
2020	197,195	18,734	215,929
2021	201,902	14,542	216,444
2022	205,831	11,140	216,971
2023	209,839	7,672	217,511
2024-2028	312,198	19,605	331,803
2029-2033	<u>163,006</u>	<u>12,297</u>	<u>175,303</u>
Totals	<u>\$1,502,463</u>	<u>\$104,064</u>	<u>\$1,606,527</u>

Revenue Bonds Payable

\$1,690,000 - 2015 Series Utility Refunding Revenue Bond for the defeasance of the 2003 Series and 2004 Series Utilities Revenue and Refunding Bonds, to finance additional improvements, and to lower the effective interest rate to 1.44%. The Bond is a limited obligation of the City and is payable solely from and secured equally and ratably by pledge of and lien upon net revenues derived from the operation of the system and all monies, including investments thereof, in the funds and accounts established under Resolution.

\$460,000

As of September 30, 2018, the annual requirements to retire the revenue bond payable are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$460,000</u>	<u>\$6,624</u>	<u>\$466,624</u>
Total	<u>\$460,000</u>	<u>\$ 6,624</u>	<u>\$466,624</u>

The revenue bond resolutions require the establishment of the following accounts:

Revenue Fund – used to deposit all gross revenues and to pay operating expenses.

Renewal and Replacement Fund – used to provide for paying the cost of extensions, improvements, additions, replacement or renewal of capital assets, or extraordinary repairs.

Sinking Fund – used to accumulate sufficient funds to pay principal, interest and redemption payments when due. The interest rate is fixed for each principal part of the bond issue at 1.44% per annum.

Sufficient funds were available in the Sinking Fund and the Renewal and Replacement Fund to comply with the requirements of the 2015 Bond Resolutions.

Note 7 - Long-term Obligations (concluded)

Interest Expense

Interest expense, totaling \$42,146, for business-type activities was included as a direct function expense as follows: Electric System - \$18,457, Water System - \$1,974 and Sewer System - \$21,715.

Note 8 - Employees' Retirement Fund

Plan Description

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.

Note 8 - Employees' Retirement Fund (continued)

Plan Membership

Coverage applies to all full-time employees. As of September 30, 2018, the membership in the System consisted of the following:

	<u>General</u>	<u>Policemen's</u>	<u>Firefighter's</u>
Inactive plan members or beneficiaries currently receiving benefits	58	12	5
Inactive plan members entitled to but not yet receiving benefits	3	2	0
Active Plan Members	<u>34</u>	<u>16</u>	<u>37</u>
Total	<u>95</u>	<u>30</u>	<u>42</u>

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.

DROP Provisions

Eligibility – General, firefighter, and Police (effective beginning this fiscal year) 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.

Note 8 - Employees' Retirement Fund (continued)

Payroll, Credited Service and Contribution Information

Payroll for employees covered by the System, for the year ended September 30, 2018, was \$2,237,566. The annual pension cost for the City was \$1,118,559 which includes \$110,089, member pickup paid by the City on behalf of the members.

Covered employees are required to contribute (0% 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.

The City is required to contribute a percentage of covered payroll based on actuarially determined requirements of 51.30% for general employees, 31.50% for police officers and 47.30% 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. State contributions were actuarially estimated to be 9.60% and 9.90% of covered payrolls for police officers and firefighters, respectively. The state contributions for the current year were received late and therefore will be considered as contributed to the following fiscal year. 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.

Net Pension Liability

GASB 68, Accounting for Pension Plans, was implemented in the prior year. GASB 68 requires that the net pension liability be recognized on the government wide statement of net position and on the utility fund statement of net position. The City commission elected a measurement date of October 1, 2014 for determining the net pension liability for reporting purposes as of September 30, 2015. Therefore, using a measurement date of October 1, 2017, the components of the net position liability reflected on the above-mentioned financial statements at September 30, 2018, were as follows:

Total Pension Liability (TPL)	\$22,080,418
Plan Fiduciary Net Position	<u>(17,451,825)</u>
City's Net Pension Liability	<u>\$ 4,628,593</u>

The plan fiduciary net position as a percentage of the total pension liability is 79.04%. Based on the actuary reports as of October 1, 2018, the expected related change in the net pension liability as of September 30, 2019, is a decrease of \$595,415.

Note 8 - Employees' Retirement Fund (continued)

The following table provides additional information by component as of the October 1, 2017 measurement date:

	<u>General Employees</u>	<u>Police Employees</u>	<u>Fire Employees</u>
Components of Net Pension Liability:			
Total Pension Liability	\$13,215,744	\$4,650,355	\$4,214,319
Plan Fiduciary Net Position	<u>9,635,206</u>	<u>4,365,275</u>	<u>3,451,344</u>
Net Pension Liability	<u>\$ 3,580,538</u>	<u>\$ 285,080</u>	<u>\$ 762,975</u>
Plan fiduciary net position as a percentage of the total pension liability	72.91%	93.87%	81.90%

Changes in the net pension liability for each of the three pension trust funds is as follows:

Firefighters' Pension Trust Fund	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at October 1, 2016	\$3,914,388	\$2,973,468	\$940,920
Changes for the Year:			
Service cost	69,461	0	69,461
Interest	305,434	0	305,434
Difference between actual and expected experience	74,382	0	74,382
Contributions - employee and state	0	180,222	(180,222)
Contributions - employee	0	19,087	(19,087)
Contributions - employr on behalf of employee	0	16,838	(16,838)
Net Investment income	0	416,423	(416,423)
Benefit payments, including refunds of of employee contributions	(134,757)	(134,757)	0
Assumption Changes	(14,589)	0	(14,589)
Administrative expense	0	(19,937)	19,937
Net changes	<u>299,931</u>	<u>477,876</u>	<u>(177,945)</u>
Balances at October 1, 2017	<u>\$4,214,319</u>	<u>\$3,451,344</u>	<u>\$762,975</u>

Note 8 - Employees' Retirement Fund (continued)

Police Officers' Pension Trust Fund	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at October 1, 2016	\$4,377,154	\$4,018,456	\$358,698
Changes for the Year:			
Service cost	114,569	0	114,569
Interest	319,489	0	319,489
Difference between actual and expected experience	36,635	0	36,635
Assumption changes	(11,196)	0	(11,196)
Contributions - employer	0	112,112	(112,112)
Contributions - state	0	71,087	(71,087)
Contributions - employee	0	6,093	(6,093)
Contributions - employr on behalf of employee	0	30,465	(30,465)
Net Investment income	0	352,649	(352,649)
Benefit payments, including refunds of of employee contributions	(186,296)	(186,296)	0
Administrative expense	0	(39,291)	39,291
Net changes	<u>273,201</u>	<u>346,819</u>	<u>(73,618)</u>
Balances at October 1, 2017	<u>\$4,650,355</u>	<u>\$4,365,275</u>	<u>\$285,080</u>
General Employees Pension Trust Fund	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at October 1, 2016	\$13,375,934	\$8,948,321	\$4,427,613
Changes for the Year:			
Service cost	77,269	0	77,269
Interest	965,027	0	965,027
Difference between actual and expected experience	(11,730)	0	(11,730)
Assumption changes	(3,216)	0	(3,216)
Contributions - employer	0	533,934	(533,934)
Contributions - employee	0	10,906	(10,906)
Contributions - employr on behalf of employee	0	54,532	(54,532)
Net Investment income	0	1,303,328	(1,303,328)
Benefit payments, including refunds of of employee contributions	(1,187,543)	(1,187,543)	0
Administrative expense	0	(28,272)	28,272
Net changes	<u>(160,193)</u>	<u>686,885</u>	<u>(847,078)</u>
Balances at October 1, 2017	<u>\$13,215,741</u>	<u>\$9,635,206</u>	<u>\$3,580,535</u>

Note 8 - Employees' Retirement Fund (continued)

Significant Actuarial Assumptions

The total pension liability as of September 30, 2018 was determined based on a roll-forward of entry age normal liabilities from the October 1, 2017 actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement.

<u>Actuarial Assumptions</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>
Inflation	2.50%	2.50%	2.50%
Salary Increases	3.25% - 4.0%	4.0% - 5.0%	3.5% - 5.0%
Investment rate of Return	7.50%	7.25%	7.50%
Payroll Growth	5.00%	5.00%	5.00%

Mortality

For healthy participants during employment - the RP 2000 Combined Healthy Participant Mortality Tables were used, with separate rates for males and females, with 90% Blue Collar Adjustment and 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB.

For healthy participants post-employment - RP 2000 Annuitant Mortality Tables, with separate rates for males and females, with 90% Blue Collar Adjustment and 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB.

For disabled male participants - 60% RP 2000 Disabled Male Mortality Table setback 4 years and 40% RP Annuitant Male Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements.

For disabled female participants - 60% RP 2000 Disabled Female Mortality Table set forward 2 years and 40% Annuitant Female Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements.

Assumption Changes

The actuarial assumptions used are as adopted by the respective Board of Trustees.

For General Employees' Retirement System in 2016, per statute, the pre-retirement mortality assumption was updated. In 2015, the mortality rates, investment return, withdrawal rates, salary increase factors, and retirement rates were updated. In 2012, the administrative expenses were updated to average the three preceding years. In 2011, interest to be earned was updated to 7.75%, compounded annually net of investment expenses and general increase in wage level due to inflation updated to 3.5%. In 2009, the mortality assumption for healthy lives was updated to RP 2000 Combined Healthy Participant Mortality Tables with separate rates for males and females and fully generational mortality improvements projected to each future decrement date with Scale AA. The mortality assumption for disabled lives was updated to RP 2000 Disabled Mortality Tables with separate rates for males and females and fully generational mortality improvements projected to each future decrement date with Scale AA.

For Police Officers' Retirement System in 2016, as per statute, the pre-retirement mortality assumption was updated. In 2015, the mortality rates, investment rate of return, salary increase factors, withdrawal rates, and retirement rates were updated. In 2012, the administrative expenses were updated to average the three preceding years. In 2009, the mortality

Note 8 - Employees' Retirement Fund (continued)

assumption for healthy lives was updated to RP 2000 Combined Healthy Participant Mortality Table with Blue Collar Adjustment with separate rates for males and females and fully generational mortality improvements projected to each future decrement date with Scale AA. The mortality assumption for disabled lives updated to RP 2000 Disabled Mortality Table with separate rates for males and females and fully generational mortality improvements projected to each future decrement date with Scale AA.

For Firefighter's Retirement System in 2016, as per statute, the pre-retirement mortality assumption was updated. In 2015, the mortality rates, investment rate of return, salary increase factors, withdrawal rates, and retirement rates were updated. In 2012, interest to be earned was updated to 7.75%, compounded annually, net of investment expenses, general increase in wage level due to inflation updated to 3.5%, and the administrative expenses were updated to average of the three preceding years. In 2009, the mortality assumption for healthy lives was updated to RP 2000 Combined Healthy Participant Mortality Table with Blue Collar Adjustment with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date. The mortality assumption for disabled lives was updated to RP 2000 Disabled Mortality Table with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date.

Discount Rate

For General Employees' Retirement System and for the Firefighter's Retirement System, a discount rate of 7.50% was used to measure the TPL. This discount rate was based on the expected rate of return on System investments of 7.50%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on these assumptions, the System's fiduciary net position was projected to be available to make all future expected benefit payments of current System members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the TPL.

For Police Officers' Retirement System, a discount rate of 7.25% was used to measure the TPL. This discount rate was based on the expected rate of return on System investments of 7.25%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on these assumptions, the System's fiduciary net position was projected to be available to make all future expected benefit payments of current System members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the TPL.

Note 8 - Employees' Retirement Fund (continued)

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

Using the measurement date of October 1, 2017, the following presents the net pension liability, calculated using the respective discount rate, as well as what the Plan's net pension liability would be if calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount rate</u>	<u>1% Increase</u>
General Employees' Net Pension Liability	6.50% \$4,821,999	7.50% \$3,580,538	8.50% \$2,525,984
Police Officers' Net Pension Liability	6.25% \$843,655	7.25% \$285,080	8.25% \$(173,770)
Firefighters' Net Pension Liability	6.50% \$1,266,918	7.50% \$762,975	8.50% \$345,054

Deferred Inflows and Outflows of Resources Related to Pension Plans

The following is a summary as of September 30, 2018, of the deferred outflows of resources, and the deferred inflow of resources related to the three Pension Trust Fund Plans:

General Employees' Pension Trust Fund:

<u>Description</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$28,960	\$ 33,468
Changes in assumptions or other inputs	260,448	2,211
Net difference between projected and actual earnings On pension plan investments	<u>0</u>	<u>362,069</u>
Total	<u>\$289,408</u>	<u>\$397,748</u>

Police Officers' Pension Trust Fund:

<u>Description</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,745	\$106,070
Changes in assumptions or other inputs	234,033	9,447
Net difference between projected and actual earnings On pension plan investments	<u>26,763</u>	<u>0</u>
Total	<u>\$328,541</u>	<u>\$115,517</u>

Note 8 - Employees' Retirement Fund (concluded)

Firefighters' Pension Trust Fund:

<u>Description</u>	<u>Deferred Outflows Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$223,876	\$187,206
Changes in assumptions or other inputs	15,511	13,475
Net difference between projected and actual earnings On pension plan investments	<u>0</u>	<u>80,051</u>
Total	<u>\$239,387</u>	<u>\$280,732</u>

As of September 30, 2018, the amounts reported as deferred outflows and deferred inflows of resources will be recognized in the next five years and thereafter as follows:

	<u>General Employees'</u>	<u>Firefighters'</u>	<u>Police Officer's</u>
2019	\$160,396	\$ 578	\$75,767
2020	72,592	21,712	78,769
2021	(210,263)	(63,818)	3,297
2022	(131,065)	(38,119)	26,340
2023	0	101	27,262
Thereafter	<u>0</u>	<u>38,201</u>	<u>1,589</u>
Total	<u>\$(108,340)</u>	<u>\$ (41,345)</u>	<u>\$213,024</u>

Accounting Policies

The Employee Retirement System's basis of accounting is full accrual, as required by governmental accounting standards. Contributions to the system are recorded as revenues when owed by the respective City fund. Contributions are determined based on the actuarial required rate multiplied by the employee's base pay. Retirement benefits are recorded as an expense in the month owed to retirees. Any refunds must be requested by employees after termination. Refunds are recorded as an expense at the time of the employee's request. Plan investments are reported at fair value. Investments are valued at the latest reported sales price at current exchange rates.

Individual Retirement Reserves

The City maintains separate reserves for member classes. The three-member classes are general, police and fire. The City keeps records by employee of all past and present contributions made by and on behalf of members, interest earnings and refunds. Interest is credited to each of the member accounts at the Pension Board's discretion. For the year ended September 30, 2018, the interest rate credited was 3%. At the end of each fiscal year, interest is credited to the employees' ending reserve account balance based on the employees' beginning balance, plus contributions and interest earnings, less any withdrawals.

Plan Description – The City administers a single employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan). The OPEB Plan provides postemployment life, dental, and health insurance benefits for retirees and eligible dependents. Employee contributions for life and dental benefits are assumed to cover the entire cost of the program. Therefore, life insurance coverage and dental insurance coverage were not considered other postemployment benefits for purposes of this actuarial valuation.

Note 9 – Other Postemployment Benefits (OPEB)

According to the plan, retired police officers, firefighters, and general employees as well as their dependents are permitted to remain covered under the City's medical plans as long as they pay the premium charged by the insurance company for the plan and coverage elected. This conforms to the minimum requirements of governmental employers under Chapter 112.08, Florida Statutes. The plan does not issue separate financial statements.

As of October 1, 2017, the latest valuation date, there were 71 active participants and 13 retirees receiving medical benefits. The amount of the contributions required for retiree and dependent coverage may change from time-to-time.

Funding Policy – 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.

The Total OPEB Liability – The City's total OPEB liability of \$1,087,410 was measured as of September 30, 2017, which is one year prior to the reporting date. The actuarial valuation date was October 1, 2017.

Changes in the Total OPEB Liability

Total OPEB liability, Begin of Year, as Restated		<u>\$550,445</u>
Service Cost	\$36,732	
Interest	18,050	
Difference Between Actual and Expected Experience	294,119	
Assumption Changes	197,957	
Benefit Payments	<u>(9,893)</u>	
Net Change in Total OPEB Liability		<u>536,965</u>
Total OPEB Liability, End of Year		<u>\$1,087,410</u>

Changes of assumptions and other inputs include an increase of the discount rate from 3.10% as of the beginning of the measurement period to 3.50% at the end of the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following table represents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>2.60%</u>	Current Discount Rate <u>3.60%</u>	1% Increase <u>4.60%</u>
Total OPEB Liability	\$1,238,829	\$1,087,410	\$962,781

Note 9 – Other Postemployment Benefits (OPEB) - continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table 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 one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease <u>(5.5% to 3.1%)</u>	Current Discount Rate <u>(6.5% to 4.1%)</u>	1% Increase <u>(7.5% to 5.1%)</u>
Total OPEB Liability	\$947,234	\$1,087,410	\$1,261,868

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the fiscal year ended September 30, 2018, the City recognized OPEB expense of \$115,532. At September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

Differences between the actual and expected experience	\$257,808
Changes in assumptions or other inputs	<u>173,518</u>
Total	<u>\$431,326</u>

The balance as of September 30, 2018, of the deferred outflows of resources (there are no deferred inflows of resources) will be recognized in OPEB expense in the future years as follows:

Fiscal Year End September 30:	
2019	\$60,750
2020	60,750
2021	60,750
2022	60,750
2023	60,750
Thereafter	<u>127,576</u>
Total	<u>\$431,326</u>

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

Note 9 – Other Postemployment Benefits (OPEB) - concluded

Actuarial methods and assumptions include the following:

Valuation Date	October 1, 2017
Measurement Date	October 1, 2017
Reporting Date	September 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Inflation Rate	2.50%
Discount Rate	3.50%
Projected Salary Increases	5.00% - 3.25%
Healthcare Cost Trend Rate	Based upon the Gretzen Model Starting at 6.50% gradually decreasing to an ultimate rate of 4.10% in 2040.
Retirees' share of benefit-related costs	100% of blended health insurance premium rates except by law 0% for certain conditions for Police Officers and Firefighters death and disability benefits
Mortality Rates	Healthy members based on various RP-2000 mortality tables with varying Collar adjustments and generational mortality improvements with Scale BB. Disabled firefighters and Police Officers based on a 60% / 40% blend of RP-2000 Disabled mortality tables setback 4 years for males and set forward 2 years for females and the RP-2000 Annuitant mortality tables with White Collar adjustment and no projected improvements. Disabled general employees based on RP-2000 Disabled mortality tables setback 4 years for males and set forward 2 years for females and no projected improvements.

Note 10 - Other Information

Risk Management

The City purchased insurance to limit the exposure of the following risks of loss: theft of, damage to and destruction of assets; employee errors or omissions; natural disasters and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Contingencies

There are several pending lawsuits in which the City is involved. These claims may result in a liability to the City; however insurance is expected to cover any losses over the City's deductible.

Joint Ventures with Florida Municipal Power Agency (FMPA)

The City's utility system is one of thirty-one 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 2017-2018 annual report, which is the most recent issued audit report.

Note 10 - Other Information (continued)

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 Contract or 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.

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 \$5,503,000.

FMPA Financial Information and Annual Report

The following financial summary of FMPA was obtained from the most recent annual report, as of September 30, 2018 (in 000's US): (1) total assets and deferred outflows of resources \$1,978,914; (2) total liabilities and deferred inflows of resources \$1,969,640; (3) Net position \$9,274; (4) operating revenues \$604,340; (5) operating expenses \$501,960; (6) Other Expense \$70,330; regulatory adjustment \$(36,528); prior period adjustment for GASB 75 (OPEB) \$(2,497) and change in net position \$(4,478). A copy of Florida Municipal Power Agency's annual report can be obtained, by written request, from the following address: Assistant General Manager and CFO, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.

Jointly Governed Organization

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, 2018, Florida Gas Utility consisted of twenty-two members. During the current fiscal year, the City purchased approximately \$210,900 in natural gas from FGU for resale.

Note 11 – Subsequent Events, Uncompleted Contracts, and Commitments

The City has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 23, 2019, the date the financial statements were available to be issued.

As of September 30, 2018, the City had \$242,016 remaining available from the Department of Environmental Protection *Clean Water State Revolving Loan Agreement*. In connection with this loan agreement, the City had an outstanding contract commitment with an engineering firm for \$93,415 for planning services in connection with the sewer system evaluation survey project.

Also, in connection with this loan agreement, in October, 2016, the City entered into an agreement for \$593,002 with an independent contractor to conduct the sewer system evaluation survey project. As of September 30, 2018, the City had \$25,117 remaining on the agreement.

The City received Federal (FEMA) and State Obligations totaling \$408,852 primarily for reimbursement of the City's expenses related to hurricane related expenditures. As of September 30, 2018, \$90,319 of these obligations have been received.

As of July 23, 2019, the City has the following agreements outstanding:

- A FRDAP grant entered into February 2017 for \$500,000 for the construction of a splash pad and handicapped improvements to recreation facilities at Edwards Road Park,
- A CDBG grant entered into April 2018 for \$700,000 for rehabilitation of sewer lift stations, manhole repairs, and sewer relining,
- A DOT agreement entered into March 2018 for \$1,000,000 for the paving of Orange Street,
- Two FRDAP agreements entered into July 2018 for \$50,000 each for Wainwright Park and Thomas Street park improvements,
- A COPS grant from the Dept of Justice entered into November 2017 for \$205,280 (\$65,989 was outstanding) for the hiring of two employees in the police department, and
- A Department of Agriculture grant entered into November 1, 2018 for \$77,090 for LED lighting of Thomas Street.

In connection with the above agreements, the City has entered into five agreements with independent contractors primarily to assist in the administering of the grant agreements. These agreements range from \$6,500 to \$49,500.

REQUIRED SUPPLEMENTARY INFORMATION

City of Starke, Florida

Schedule of Revenues, Expenditures and Changes in Fund
 Balance - Budget and Actual - General Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	2,132,312	2,132,312	2,129,304	(3,008)
Licenses and Permits	232,500	232,500	292,056	59,556
Intergovernmental Programs	1,067,109	1,067,109	574,229	(492,880)
Charges for Services	2,000	2,000	4,345	2,345
Fines and Forfeitures	27,000	27,000	25,327	(1,673)
Miscellaneous Revenue	114,850	114,850	168,099	53,249
Total Revenues	3,575,771	3,575,771	3,193,360	(382,411)
Expenditures				
Current:				
General Government	806,340	806,340	714,744	91,596
Public Safety	2,684,350	2,684,350	2,750,855	(66,505)
Culture and Recreation	153,900	153,900	87,718	66,182
Capital Outlay:				
General Government	80,000	80,000	26,772	53,228
Public Safety	510,000	510,000	528,971	(18,971)
Culture and Recreation	525,000	525,000	34,975	490,025
Debt Service:				
Principal	121,000	121,000	121,048	(48)
Interest	4,000	4,000	3,155	845
Total Expenditures	4,884,590	4,884,590	4,268,238	616,352
Revenues Over (Under) Expenditures	(1,308,819)	(1,308,819)	(1,074,878)	233,941
Other Financing Sources (Uses)				
Transfers In	808,819	808,819	808,819	0
Total Other Financing Sources	808,819	808,819	808,819	0
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Financing Uses	(500,000)	(500,000)	(266,059)	233,941
Fund Balance, Beginning of Year	1,069,169	1,069,169	1,069,169	
Fund Balance, End of Year	\$569,169	\$569,169	\$803,110	

See accompanying notes to the financial statements.

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	438,328	438,328	436,518	(1,810)
Intergovernmental Programs	78,167	78,167	87,066	8,899
Miscellaneous Revenue	2,000	2,000	15,081	13,081
Total Revenues	518,495	518,495	538,665	20,170
Expenditures				
Current:				
Transportation	179,700	179,700	197,389	(17,689)
Capital Outlay:				
Transportation	1,227,641	1,227,641	3,250	1,224,391
Total Expenditures	1,407,341	1,407,341	200,639	1,206,702
Revenues Over (Under) Expenditures	(888,846)	(888,846)	338,026	1,226,872
Excess of Revenues Over Other Sources Over (Under) Expenditures	(888,846)	(888,846)	338,026	1,226,872
Fund Balance, Beginning of Year	1,100,502	1,100,502	1,100,502	
Fund Balance, End of Year	\$211,656	\$211,656	\$1,438,528	

See accompanying notes to the financial statements.

City of Starke, Florida

Schedule of Changes in Total Other Postemployment Benefits (OPEB) and Related Ratios

Other Postemployment Benefit Plan

September 30, 2018

Reporting Period	9/30/2018	Prior years'
Measurement date	10/1/2017	Information
Valuation Date	10/1/2017	not available
A. Total OPEB Liability		
Service Costs	\$36,732	
Interest on the Total OPEB Liability	18,050	
Benefit Changes	0	
Differences Between Actual and Expected Experience	294,119	
Assumption Changes	197,957	
Benefit payments	<u>(9,893)</u>	
Net Change in Total OPEB Liability	<u>536,965</u>	
Total OPEB Liability (TOL), Beginning	<u>550,445</u>	
Total OPEB Liability (TOL), Ending	<u><u>\$1,087,410</u></u>	
B. Annual covered payroll	\$2,558,077	
C. TOL as a percentage of covered employee payroll	42.51%	

Notes to Schedule:

Covered employee payroll based on pay provided for the October 1, 2017 valuation. GASB Statement No. 75 requires actual covered payroll for measurement period. GASB No. 75 defined covered employee payroll as the payroll of employees that are provided OPEB through the OPEB plan, including employees terminated during the measurement period.

Changes in assumptions and other inputs include the change in the discount rate from 3.10% at the beginning of the measurement period to 3.50% at the end of the measurement period.

10 years of data will be displayed as information becomes available.

City of Starke, Florida

Methods and Assumptions Used in Calculating the Actuarially Determined Calculations

Other Post Employment Benefits (OPEB)

For the Year Ended September 30, 2018

Actuarial Methods and Assumptions include the following:

Valuation Date	1-Oct-17
Measurement Date	1-Oct-17
Reporting Date	30-Sep-18
Actuarial Cost Method	Entry Age Normal Cost
Inflation Rate	2.50%
Discount Rate	3.50%
Projected Salary Increases	5.00% - 3.25%
Healthcare Cost Trend Rate	Based upon the Gretzen Model starting at 6.50% gradually decreasing to an ultimate rate of 4.10% in 2040.
Retirees' share of benefit-related costs	100% of blended health insurance premium rates except by law 0% for certain conditions for police officers and firefighters death and disability benefits
Mortality Rates	<p>Healthy members based on various RP-2000 mortality tables with varying collar adjustments and generational mortality improvements with Scale BB.</p> <p>Disabled police officers and firefighters based on a 60% / 40% blend of RP-2000 Disabled mortality tables setback 4 years for males and set forward 2 years for females and the RP-2000 Annuitant mortality tables with White Collar adjustment and no projected improvements.</p> <p>Disabled general employees based on RP-2000 Disabled mortality tables setback 4 years for males and set forward 2 years for females and no projected improvements.</p>

City of Starke, Florida

Schedule of Changes in Net Pension Liability and Related Ratios
 Employees' Retirement System - General Employees
 (for the last 10 fiscal years)
 as of September 30, 2018

Reporting Period	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Valuation Date	10/1/2016	10/1/2015	10/1/2014	10/1/2013
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Costs	\$77,269	\$80,638	\$80,417	\$81,824
Interest	965,027	968,718	922,364	919,179
Difference Between Actual and Expected Experience	(11,730)	77,226	(120,675)	(103,148)
Benefit payments, including refunds of Employee Contributions	(1,187,543)	(979,794)	(813,053)	(873,327)
Assumption Changes	(3,216)	694,526	0	0
Benefit Changes	0	134,185	0	0
Net Change in Total Pension Liability	<u>(160,193)</u>	<u>975,499</u>	<u>69,053</u>	<u>24,528</u>
Total Pension Liability, Beginning	<u>13,375,937</u>	<u>12,400,438</u>	<u>12,331,385</u>	<u>12,306,857</u>
Total Pension Liability, Ending (a)	<u>\$13,215,744</u>	<u>\$13,375,937</u>	<u>\$12,400,438</u>	<u>\$12,331,385</u>
Plan Fiduciary Net Position				
Contributions - City	533,934	434,152	511,983	725,572
Contributions - Member	10,906	9,969	9,377	8,767
Contributions - Member, picked up by City	54,532	49,844	46,885	43,710
Net Investment Income	1,303,328	1,007,125	(485,656)	1,040,361
Benefit payments, including refunds of Employee Contributions	(1,187,543)	(979,794)	(813,053)	(873,327)
Administrative Expenses	(28,272)	(52,968)	(46,487)	(32,236)
Net Change in Plan Fiduciary Net Position	<u>686,885</u>	<u>468,328</u>	<u>(776,951)</u>	<u>912,847</u>
Plan Fiduciary Net Position, Beginning of Year	<u>8,948,321</u>	<u>8,479,993</u>	<u>9,256,944</u>	<u>8,344,097</u>
Plan Fiduciary Net Position, End of Year (b)	<u>\$9,635,206</u>	<u>\$8,948,321</u>	<u>\$8,479,993</u>	<u>\$9,256,944</u>
Net Pension liability, ending (a)- (b)	3,580,538	4,427,616	3,920,445	3,074,441
Plan fiduciary net position as a percentage of the total pension liability	72.91%	66.90%	68.38%	75.07%
Annual covered payroll	\$1,090,634	\$996,866	\$936,706	\$874,183
Net Pension Liability as a percentage of covered employee payroll	328.30%	444.15%	418.54%	351.69%

Notes to Schedule:

The schedule excludes the DROP account balances.
 No assumption changes or benefits changes during the current fiscal year.
 The schedule will present ten years comparative data in the future.
 GASB 67 was implemented in the prior fiscal year.

City of Starke, Florida

Schedule of Changes in Net Pension Liability and Related Ratios
 Employees' Retirement System - Firefighters'
 (for the last 10 fiscal years)
 as of September 30, 2018

Reporting Period	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Valuation Date	10/1/2016	10/1/2015	10/1/2014	10/1/2013
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Costs	\$69,461	\$63,717	\$83,956	\$83,807
Interest	305,434	289,172	262,020	269,498
Difference Between Actual and Expected Experience	74,382	183,386	(164,041)	(90,269)
Benefit payments, including refunds of Employee Contributions	(134,757)	(378,840)	(83,962)	(86,580)
Assumption Changes	(14,589)	18,331	0	0
Benefit Changes	0	0	0	0
Net Change in Total Pension Liability	<u>299,931</u>	<u>175,766</u>	<u>97,973</u>	<u>176,456</u>
Total Pension Liability, Beginning	<u>3,914,388</u>	<u>3,738,622</u>	<u>3,640,649</u>	<u>3,464,193</u>
Total Pension Liability, Ending (a)	<u><u>\$4,214,319</u></u>	<u><u>\$3,914,388</u></u>	<u><u>\$3,738,622</u></u>	<u><u>\$3,640,649</u></u>
Plan Fiduciary Net Position				
Contributions - City and State	180,222	171,238	173,181	216,595
Contributions - Member	19,087	16,789	18,678	19,703
Contributions - Member, picked up by City	16,838	14,170	15,447	16,376
Net Investment Income	416,423	334,500	(194,473)	306,638
Benefit payments, including refunds of Employee Contributions	(134,757)	(378,840)	(83,962)	(86,580)
Administrative Expenses	(19,937)	(39,371)	(41,841)	(29,676)
Net Change in Plan Fiduciary Net Position	<u>477,876</u>	<u>118,486</u>	<u>(112,970)</u>	<u>443,056</u>
Plan Fiduciary Net Position, Beginning of Year	<u>2,973,468</u>	<u>2,854,982</u>	<u>2,967,952</u>	<u>2,524,896</u>
Plan Fiduciary Net Position, End of Year (b)	<u><u>\$3,451,344</u></u>	<u><u>\$2,973,468</u></u>	<u><u>\$2,854,982</u></u>	<u><u>\$2,967,952</u></u>
Net Pension liability, ending (a)- (b)	762,975	940,920	883,640	672,697
Plan fiduciary net position as a percentage of the total pension liability	81.90%	75.96%	76.36%	81.52%
Annual covered payroll	\$374,243	\$327,059	\$362,802	\$382,968
Net Pension Liability as a percentage of covered employee payroll	203.87%	287.69%	243.56%	175.65%

Notes to Schedule:

The schedule excludes the DROP account balances and Share Plan.
 No assumption changes or benefits changes during the current fiscal year.
 The schedule will present ten years comparative data in the future.

City of Starke, Florida

Schedule of Changes in Net Pension Liability and Related Ratios
 Employees' Retirement System - Police Officers
 (for the last 10 fiscal years)
 as of September 30, 2018

Reporting Period	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Valuation Date	10/1/2016	10/1/2015	10/1/2014	10/1/2013
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Costs	\$114,569	\$118,012	\$137,664	\$142,107
Interest	319,489	301,631	295,404	273,487
Difference Between Actual and Expected Experience	36,635	(131,179)	(20,659)	74,610
Benefit payments, including refunds of Employee Contributions	(186,296)	(195,249)	(148,844)	(170,730)
Assumption Changes	(11,196)	329,557	0	0
Benefit Changes	0	0	0	0
Net Change in Total Pension Liability	<u>273,201</u>	<u>422,772</u>	<u>263,565</u>	<u>319,474</u>
Total Pension Liability, Beginning	<u>4,377,154</u>	<u>3,954,382</u>	<u>3,690,817</u>	<u>3,371,343</u>
Total Pension Liability, Ending (a)	<u><u>\$4,650,355</u></u>	<u><u>\$4,377,154</u></u>	<u><u>\$3,954,382</u></u>	<u><u>\$3,690,817</u></u>
Plan Fiduciary Net Position				
Contributions - City and State	183,199	170,839	168,741	211,844
Contributions - Member	6,093	5,544	5,784	5,525
Contributions - Member, picked up by City	30,465	26,654	27,922	26,674
Net Investment Income	352,649	384,891	(77,433)	289,838
Benefit payments, including refunds of Employee Contributions	(186,296)	(195,249)	(148,844)	(170,730)
Administrative Expenses	(39,291)	(50,014)	(45,090)	(34,257)
Net Change in Plan Fiduciary Net Position	<u>346,819</u>	<u>342,665</u>	<u>(68,920)</u>	<u>328,894</u>
Plan Fiduciary Net Position, Beginning of Year	<u>4,018,456</u>	<u>3,675,791</u>	<u>3,744,711</u>	<u>3,415,817</u>
Plan Fiduciary Net Position, End of Year (b)	<u><u>\$4,365,275</u></u>	<u><u>\$4,018,456</u></u>	<u><u>\$3,675,791</u></u>	<u><u>\$3,744,711</u></u>
Net Pension liability, ending (a)- (b)	285,080	358,698	278,591	(53,894)
Plan fiduciary net position as a percentage of the total pension liability	93.87%	91.81%	92.95%	101.46%
Annual covered payroll	\$609,302	\$533,076	\$558,435	\$530,286
Net Pension Liability as a percentage of covered employee payroll	46.79%	67.29%	49.89%	-10.16%

Notes to Schedule:

The schedule excludes the DROP account balances and Share Plan.
 No assumption changes or benefits changes during the current fiscal year.
 The schedule will present ten years comparative data in the future.

City of Starke, FloridaSchedule of Actuarially Determined Employer Contributions
Employees' Retirement System
as of September 30, 2018

<u>Fiscal Year End Sept. 30</u>	<u>Actuarially Determined Contributions</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
General Employees					
2009	524,688	524,688	0	1,498,159	35.02%
2010	566,685	566,685	0	1,382,493	40.99%
2011	641,013	643,009	(1,996)	1,420,171	45.28%
2012	562,739	562,739	0	1,015,328	55.42%
2013	439,741	600,186	(160,445)	852,072	70.44%
2014	525,384	725,572	(200,188)	874,183	83.00%
2015	494,285	511,983	(17,698)	936,706	54.66%
2016	434,152	434,152	0	996,866	43.55%
2017	481,994	533,934	(51,940)	1,090,634	48.96%
2018	485,783	601,642	(115,859)	1,173,969	51.25%
Police Officers					
2009	29,618	71,647	(42,029)	651,699	10.99%
2010	75,619	83,131	(7,512)	551,289	15.08%
2011	145,325	145,365	(40)	597,067	24.35%
2012	180,374	188,261	(7,887)	548,492	34.32%
2013	165,835	169,837	(4,002)	571,086	29.74%
2014	162,286	211,844	(49,558)	631,107	33.57%
2015	168,741	168,741	0	558,435	30.22%
2016	170,839	170,839	0	533,076	32.05%
2017	183,199	183,199	0	609,302	30.07%
2018	215,652	215,652	0	658,688	32.74%
Firefighters					
2009	155,024	170,589	(15,565)	373,979	45.61%
2010	167,418	187,301	(19,883)	368,919	50.77%
2011	187,015	187,015	0	445,263	42.00%
2012	162,170	162,170	0	375,911	43.14%
2013	202,879	202,879	0	375,673	54.00%
2014	173,612	216,595	(42,983)	443,142	48.88%
2015	163,445	173,181	(9,736)	362,802	47.73%
2016	134,684	171,238	(36,554)	327,059	52.36%
2017	180,222	180,222	0	374,243	48.16%
2018	191,176	191,176	0	404,909	47.21%

Notes to Schedule

The valuation date for 2018 is October 1, 2016.

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

City of Starke, Florida

Methods and Assumptions Used to Determine Contribution Rates

Employees' Retirement System

For the Year Ended September 30, 2018

<u>Actuarials Assumptions</u>	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level % of Pay, Closed	Level % of Pay, Closed	Level % of Pay, Closed
Amortization Period	30 years	20 years	30 years
Asset Valuation Method	4 year Smooth	4 year Smooth	4 year Smooth
Inflation	2.50%	2.50%	2.50%
Salary Increases	3.25% - 4.0%	4.0% - 5.0%	3.5% - 4.0%
Investment Rate of Return	7.50%	7.25%	7.50%
Payroll Growth	5.00%	5.00%	5.00%
Retirement Age	If hired prior to October 1, 2012, age 60 and 10 yrs of service (8 yrs for elected officials), or 30 yrs of service If hired after October 1, 2012, age 65 and 10 yrs of service, or 35 yrs of service	age 55 and 10 yrs of service, or 25 yrs of service	age 55 and 10 yrs of service, or 25 yrs of service
Early Retirement	If hired prior to October 1, 2012, 25 yrs of service If hired after October 1, 2012, 30 yrs of service	age 50 and 10 yrs of service	age 50 and 10 yrs of service

City of Starke, Florida
Notes to the Require Supplementary Information
Employees' Retirement System
For the Year Ended September 30, 2018

General Employees

Benefit Changes

In 2015, Ad hoc COLA adjustment for retirees, disableds, beneficiaries and DROPS who have been receiving benefits for at least ten (10) years effective January 1, 2016.

In 2012, for general employees hired on or after October 1, 2012, the normal retirement eligibility was revised to the earlier of (a) attainment of age 65 with completion of 10 years of credited service or (b) completion of 35 years of credited service. The early retirement eligibility was revised to require completion of 30 years of credited service. The early retirement reduction factor was updated to 6.0% for each year that early retirement precedes normal retirement date, with the final average salary updated to the highest 5 consecutive years out of last 10 years. The benefit multiplier was updated to 1.60% and deferred benefits commence upon attainment of age 65.

For general employees hired prior to October 1, 2012 and not eligible for normal retirement as of January 31, 2013, the early retirement benefits accrued after January 31, 2013 are reduced by 6.00% for each year that early retirement precedes normal retirement date and final average salary updated to the highest 5 consecutive years out of last 10 years (not less than the highest 3 consecutive years of last the 10 years as of January 31, 2013).

Effective February 1, 2013, the general employees and elected officials not eligible for normal retirement as of January 31, 2013 will contribute 1.00% of pay. For members who enter DROP on or after February 1, 2013, benefits will be accumulated with interest in an amount equal to 50% of the net investment return for the system for the preceding fiscal year up to a maximum of 4.00% and members will be assessed administrative fees.

Assumption Changes

In 2016, per statute, pre-retirement mortality assumption was updated. In 2015, the mortality rates, investment return, withdrawal rates, salary increase factors, and retirement rates were updated. In 2012, the administrative expenses were updated to average of the 3 preceding years. In 2011, interest earned by Fund updated to 7.75%, compounded annually, net of investment expenses and general increase in wage level due to inflation updated to 3.50%. In 2009, the mortality assumption for healthy lives was updated to the RP 2000 Combined Healthy Participant Mortality Tables with separate rates for males and females, and fully generational mortality improvements projected to each future decrement date with Scale AA, and the mortality assumption for disabled lives updated to the RP 2000 Disabled Mortality Tables with separate rates for males and females, and fully generational mortality improvements projected to each future decrement date with Scale AA.

Benefit Changes and Assumption Changes - (continued)

Police Officers

Benefit Changes

In 2013, the DROP plan was added effective February 1, 2013. Also added early retirement upon attainment of age 50 with completion of 10 years of credited service, maximum of 42 hours of overtime included in pensionable salary.

Police Officers

Assumption Changes

In 2016, as per statutes, the pre-retirement mortality assumption was updated. In 2015, the mortality rates, investment rate of return, salary increase factors, withdrawal rates, and retirement rates were updated. In 2012, the administrative expenses were updated to average the three preceding fiscal years. In 2009, the mortality assumption for healthy lives was updated to RP 2000 Combined Healthy Participant Mortality Tables with Blue Collar Adjustment with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date; the mortality assumption for disabled lives updated to the RP 2000 Disabled Mortality Tables with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date.

Firefighters

Benefit Changes

There were no benefit changes in the past 10 years.

Assumption Changes

In 2016, as per statute, the pre-retirement mortality assumption was updated. In 2015, the mortality rates, investment rate of return, salary increase factors, withdrawal rates, and retirement rates were updated. In 2012, the interest earned was updated to 7.75%, compounded annually, net of investment expenses, a general increase in wage level due to inflation updated to 3.50%, and the administrative expenses were updated to average of the 3 preceding years. In 2009, the mortality assumption for healthy lives was updated to the RP 2000 Combined Healthy Participant Mortality Tables with Blue Collar Adjustment with separate rates for males and females and fully generational mortality improvements projected to each future decrement date with Scale AA, and the mortality assumption for disabled lives updated to the RP 2000 Disabled Mortality Tables with separate rates for males and females and fully generational mortality improvements projected by Scale AA to each future decrement date.

City of Starke, Florida
Schedule of Investment Returns
Employees' Retirement System
September 30, 2018

Annual Money-Weighted Rate of Return, Net of Investment Expense

<u>Fiscal Year End Sept. 30</u>	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
2014	12.22%	10.91%	9.37%
2015	-5.42%	-7.49%	-2.27%
2016	11.28%	10.31%	11.14%
2017	14.28%	12.75%	9.17%
2018	10.16%	9.84%	6.20%

Notes to Schedule

Additional years will be added to this schedule annually, until 10 years of data is presented.

OTHER SUPPLEMENTARY INFORMATION

City of Starke, Florida

Combining Statement of Fiduciary Net Position

Employees' Retirement System

September 30, 2018

	General Employees	Police Employees	Fire Employees	Total Employees' Retirement System
Assets				
Cash and Cash Equivalents	\$92,753	\$244,905	\$88,518	\$426,176
Investments, at fair value	9,625,353	4,016,451	3,766,996	17,408,800
Accrued Interest	14,880	6,541	6,028	27,449
Due from Other Funds	3,699	77,364	48,952	130,015
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	9,736,685	4,345,261	3,910,494	17,992,440
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Accounts Payable	35,413	11,213	21,475	68,101
Due to other Funds	9,212	2,730	9,245	21,187
Share Plan Payable	0	76,034	118,918	194,952
Deferred Retirement Liability (DROP)	92,422	0	316,794	409,216
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	137,047	89,977	466,432	693,456
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position Held in Trust For Employees' Pension Benefits	\$9,599,638	\$4,255,284	\$3,444,062	\$17,298,984

City of Starke, Florida

Combining Statement of Changes in Fiduciary Net Position
Employees' Retirement System
For the Year Ended September 30, 2018

	<u>General Employees</u>	<u>Police Employees</u>	<u>Fire Employees</u>	<u>Total Employees' Retirement System</u>
Additions (Deductions)				
Contributions				
Employees	\$17,475	\$6,587	\$20,603	\$44,665
City on behalf of Employees	58,698	32,934	18,457	110,089
City	601,642	215,652	191,176	1,008,470
Total Contributions	<u>677,815</u>	<u>255,173</u>	<u>230,236</u>	<u>1,163,224</u>
Investment Income				
Interest and Dividend Income	168,561	123,199	61,277	353,037
Gain (Loss) on Sale of Investments	(232,552)	53,885	(113,115)	(291,782)
Net Increase (Decrease) in Fair Value of Investments	1,240,105	98,189	486,401	1,824,695
Investment Fees	(66,687)	(15,375)	(31,399)	(113,461)
Miscellaneous	0	146	0	146
Net Investment Income	<u>1,109,427</u>	<u>260,044</u>	<u>403,164</u>	<u>1,772,635</u>
Other Deductions				
DROP Provision	46,745	42,196	87,207	176,148
DROP Interest Expense	2,863	10,559	11,075	24,497
Annuities Paid	1,042,024	212,172	144,229	1,398,425
Share Plan Expense	0	26,306	19,306	45,612
Operating Expenses	60,758	49,254	49,917	159,929
Total Other Deductions	<u>1,152,390</u>	<u>340,487</u>	<u>311,734</u>	<u>1,804,611</u>
Change in Net Position	634,852	174,730	321,666	1,131,248
Net Position, Begin of Year,	<u>8,964,786</u>	<u>4,080,554</u>	<u>3,122,396</u>	<u>16,167,736</u>
Net Position, End of Year	<u>\$9,599,638</u>	<u>\$4,255,284</u>	<u>\$3,444,062</u>	<u>\$17,298,984</u>

**Additional Elements Required
by the Rules of the Auditor General,
and the *Government Auditing Standards***

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091

Phone (904) 964-7555 • Fax (904) 964-3887

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Independent Auditor's Management Letter

To the Honorable Mayor and the
Members of the City Commission
City of Starke, Florida
Starke, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Starke, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated July 23, 2019.

Auditor's 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 Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's 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 July 23, 2019, 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 all of the findings and recommendations made in the preceding financial audit.

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. This information is disclosed in note 1 to the 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 of Starke, Florida has met one or more of the conditions described in Section 218.503(1) Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Starke, Florida did not meet any of these conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City of Starke, Florida. It is management's responsibility to monitor the City of Starke, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and 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 did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, require, 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. The City of Starke, Florida did not have any special district type component units for the fiscal year.

Additional Matters

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

Purpose of This Letter

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

Rudolph J. White, CPA

Starke, Florida
July 23, 2019

REDDISH & WHITE

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and the
Members of the City Commission
City of Starke, Florida
Starke, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Starke, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Starke, Florida's basic financial statements, and have issued our report thereon dated July 23, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency that we consider to be a significant deficiency, as follows:

Finding 2018-01: Proper Cutoff of Fiscal Year End Inventory Purchases

Condition: Certain purchases of inventory, near the fiscal year end, were recorded as received by September 30, 2018 but were not.

Background: The invoices related to year end purchases were entered with an effective date of before September 30, 2018, even though the goods were not physically received by that date. Consequently, these goods were correctly not included in the physical inventory taken at year end but were recorded as if they were received by September 30, 2018. As a result, the inventory and the accounts payable at year end were overstated by \$26,678.

Recommendation: Improve internal controls over year end purchases to ensure that invoices for purchases are not recorded and dated as received until the goods have been received.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Starke, Florida's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Starke, Florida's Response to Finding

City of Starke, Florida's response to the finding identified in our audit is described in the Corrective Action Plan section on the last page of this document.

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.

Reddish & White, CPA's

Starke, Florida
July 23, 2019

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Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes

To the Honorable Mayor and the
Members of the City Commission
City of Starke, Florida
Starke, Florida

We have examined the City of Starke, Florida's compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2018. Management is responsible for City of Starke, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Starke, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about City of Starke, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Starke, Florida's compliance with specified requirements.

In our opinion, City of Starke, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Reddish & White CPAs

Starke, Florida
July 23, 2019

City of Starke, Florida

Summary Schedule of Prior Year Audit Findings
For the Year Ended September 30, 2018

Finding 2017-01: Material Accounting Adjustments Proposed During Audit

Condition – As part of the audit for the year ended September 30, 2017, numerous material accounting adjustments were proposed by the auditor.

Background: Even though the City has an experienced accountant on staff, the audit process was not sufficiently prioritized, thus numerous material accounts were never reconciled during the year. As a result, there were many material accounting adjustments proposed by the auditor.

Recommendation - Allow sufficient time for the experienced accountant to reconcile the various accounts, especially at year end.

Status: There was a significant decrease in the number of material adjustments proposed during the audit, most of which were related to information not received until after the audit process began. Therefore, the finding is considered resolved.

Finding 2017-02: Unbalanced Adjusting Journal Entries

Condition: During the year, four journal entries were posted to the general ledger in which the debits did not equal the credits. As a result, the trial balances of the General Fund, the Utility Fund, and the Transportation Fund for the year ended September 30, 2017 did not balance.

Background: The journal entries in question were prepared properly in that they balanced prior to inputting the journal entries into the accounting general ledger. However, due to unforeseen circumstances, the entire journal entry did not get posted properly. A cursory review of the trial balances of the individual funds each month should detect this out of balance condition.

Recommendation: On a monthly basis, review the trial balances of the individual funds for obvious errors.

Status: There were no unbalanced journal entries this year. Therefore, this finding is considered resolved.

Finding 2017-03: Payment of Health Insurance Premiums

Condition: During the year, the methodology for paying the health insurance premiums was inconsistent

Background: The health insurance premiums were originally paid based on an estimate. At the end of the year, the insurance company would assess a final payment or provide a refund for over payment. During the year, the City changed the way it paid the health insurance premiums by attempting to pay the actual amount due (as requested by the health insurance company). However, the estimated amount was still being recorded. Subsequent journal entries to correct for this change were not sufficient. As a result, material balances in the payroll fund resulted for certain accounts that typically are not material.

Recommendation: Determine the most efficient way to pay the health insurance premiums. Review the related balances after processing the payments for obvious errors.

Status: The methodology for paying health insurance premiums was consistent throughout the year. Consequently, there were no proposed audit adjustments. This finding is considered resolved.

Finding 2017-04: Processing Payments of Accounts Payable at Year-End

Condition: Certain routine payments of bills in October 2017, were recorded as if the payments occurred in September 2017. As a result, significant adjustments were required to balance the related cash accounts and accounts payable at year end.

Background: When entering journal entries, the effective date entered determines when the transaction is recorded.

Recommendation: When entering journal entries, make sure the effective date entered is correct.

Status: There was no incorrect dating of journal entries that represented payments at year end. Therefore, this finding is considered resolved.

Finding 2017-05: Coordinate the Annual Accounting for Pension Reporting

Finding: For each fiscal year, the State of Florida and the City's actuary require specific accounting information regarding each of the three pension trust funds. This information should be communicated to the accountant in charge of reconciling the pension trust funds for audit purposes prior to the end of the fiscal year.

Recommendation: Toward the end of the fiscal year, instruct the City's personnel in charge of coordinating accounting information with the actuary and the pension reports to the state, to provide a specific list of accounting information needed for these purposes to the accountant in charge of reconciling the trust funds for audit purposes.

Status: The coordination of the annual accounting for the pension reporting was much improved. Therefore, this finding is considered resolved.

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Communication with Those Charged with Governance

July 23, 2019

Honorable Mayor and
Members of the City Commission
Starke, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City of Starke, Florida as of and for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 28, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Starke are described in note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City of Starke's Utility Fund and the governmental activities opinion unit was:

Management's estimate of the useful lives of the fixed assets is based on historical data. We evaluated the key factors and assumptions used to develop the useful lives of the fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties encountered during the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

Utility Fund:

- 1) Increase the sanitation payable by \$54,799, including a prior period adjustment of \$43,975.
- 2) Increase the utility tax payable by \$70,433 as a prior period adjustment.
- 3) Increase the gross receipt tax payable by \$11,426.
- 4) Decrease inventory and accounts payable by \$26,678.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 23, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the

government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (as outlined in the table of contents) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information (as listed in the table of contents), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the mayor and commission members and management of the City of Starke, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Reddish & White, CPAs



City of Starke

July 22, 2019

Danny Nugent
MAYOR

COMMISSIONERS:

Tommy Chastain
Janice Mortimer
Danny Nugent
Shannon Smith
Wilbur Waters

Ms. Sherrill F. Norman, CPA
Auditor General's Office
Local Government Audits / 342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman

Reddish and White, CPAs, auditors of the City of Starke, have made one internal control recommendation in the City's audit report for the fiscal year ended September 30, 2018. The following is the City's response to the internal control recommendation:

Finding 2018-01: Proper Cutoff of Fiscal Year End Inventory Purchases

Condition: Certain purchases of inventory, near the fiscal year end, were recorded as received by September 30, 2018 but were not.

Background: The invoices related to year end purchases were entered with an effective date of before September 30, 2018, even though the goods were not physically received by that date. Consequently, these goods were correctly not included in the physical inventory taken at year end but were recorded as if they were received by September 30, 2018. As a result, the inventory and the accounts payable at year end were overstated by \$26,678.

Recommendation: Improve internal controls over year end purchases to ensure that invoices for purchases are not recorded and dated as received until the goods have been received.

Response: The City will improve internal controls over year end purchases to ensure that invoices for purchases are not recorded and dated as received until the goods have been received.

If you would require any additional information on the findings, please contact me at (904) 964-5027.

Sincerely,

Ricky Thompson
City Clerk

CITY CLERK
Ricky Thompson

POLICE CHIEF
Jeff Johnson

CITY MANAGER