

**CITY OF STARKE, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**



CITY COMMISSION

Shannon Smith, Mayor

Janice Mortimer, Vice Mayor

Tommy Chastain

Wilbur Waters

Danny Nugent

CITY MANAGER

John J. Holman

CITY CLERK

Ricky Thompson

**CITY OF STARKE, FLORIDA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starke, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

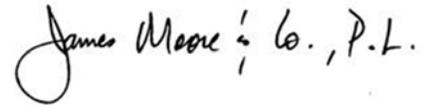
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 information is 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 September 13, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
September 13, 2021

CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

The City of Starke's (the City) discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) 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 follow this discussion.

Financial and Other Highlights

- The assets of the City of Starke exceeded its liabilities on September 30, 2020, by \$27,159,190 (net position) for an increase of 11.18% over the prior year. Of this amount \$4,509,107 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,731,773 in fiscal year 2020, compared to an increase in net position of \$2,412,983 in fiscal year 2019. The year over year increase of \$318,790 is attributed to a significant increase in capital grants and contribution revenue, which was \$2,608,809 and \$319,332 for the year ended September 30, 2020 and 2019, respectively.
- As of September 30, 2020, the City's governmental funds reported combined ending fund balances of \$3,476,437. This combined fund balance amount is an increase of \$592,110 from the prior year. Approximately 30.3% of this total amount, \$1,053,823, is available for spending at the City's discretion (unassigned fund balance).
- The City's notes and loans payable (consisting of vehicle financing instruments, a bank note, and loans from federal and state governmental agencies) decreased by \$216,118 (11.6 percent) during the current fiscal year. The City paid down outstanding loans and notes payable in the current year totaling \$387,043, but incurred additional debt of \$170,925. The additional debt largely consisted of the financing of two police vehicles and refinance an existing vehicle note, totaling \$152,436.

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 overall 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 like a private-sector business. The focus is on activities, rather than fund types.

The Statement of Net Position presents information on all the City's assets, deferred inflows, liabilities and deferred outflows, with the difference between the two reported as net position. The focus of the Statement of Net Position (unrestricted net position) is designed to be like 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.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-Wide Financial Statements, (continued)

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 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 users' fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads, 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.

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 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 three (3) major individual governmental funds. 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 the three funds

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

Proprietary Funds

The City maintains one (1) 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 this one proprietary fund.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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 liabilities (and deferred inflows of resources) by \$24,427,417, an increase of \$2,579,690 over the prior year. See Note 12 to the financial statements for disclosure of restatement of fund balance and net position.

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.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	3,937,270	3,245,685	8,453,068	9,021,341	12,390,338	12,267,026
Capital assets	<u>3,279,347</u>	<u>2,946,036</u>	<u>20,458,999</u>	<u>18,049,518</u>	<u>23,738,346</u>	<u>20,995,554</u>
Total assets	7,216,617	6,191,721	28,912,067	27,070,859	36,128,684	33,262,580
Deferred Outflows of Resources	1,526,757	1,533,559	647,352	749,587	2,174,109	2,283,146
Liabilities:						
Long-term liabilities	2,995,217	2,966,911	3,258,686	3,855,138	6,253,903	6,822,049
Other liabilities	<u>627,693</u>	<u>534,525</u>	<u>3,170,636</u>	<u>2,597,354</u>	<u>3,798,329</u>	<u>3,131,879</u>
Total liabilities	3,622,910	3,501,436	6,429,322	6,452,492	10,052,232	9,953,928
Deferred Inflows of Resources	670,601	622,316	420,770	542,065	1,091,371	1,164,381
Net Position:						
Net Investment in Capital Assets	2,776,335	2,393,614	19,320,771	16,744,582	22,097,106	19,138,196
Restricted	515,068	336,750	37,909	11,582	552,977	348,332
Unrestricted	<u>1,158,460</u>	<u>871,164</u>	<u>3,350,647</u>	<u>4,069,725</u>	<u>4,509,107</u>	<u>19,486,528</u>
Total Net Position	<u>4,449,863</u>	<u>3,601,528</u>	<u>22,709,327</u>	<u>20,825,889</u>	<u>27,159,190</u>	<u>24,427,417</u>

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Net Position (continued)

Approximately 81% of the City's net position reflected above are 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 is 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.

As of September 30, 2020 and 2019, the City has reported positive balances in all three categories of net position: for the City as a whole, as well as for its separate governmental and business-type activities. Restricted net position was \$552,977 as of September 30, 2020, an increase of \$204,645 from the prior year. The increase is due to restricted revenues, such as local option fuel taxes, collected in the Transportation Trust Fund that exceeded expenditures for road improvement projects during fiscal year 2020.

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 196,682	\$ 172,278	\$ 10,944,050	\$ 11,304,279	\$ 11,140,732	\$ 11,476,557
Operating Grants and Contributions	499,481	645,920	22,482	196,762	521,963	842,682
Capital Grants and Contributions	644,350	-	1,964,459	319,332	2,608,809	319,332
General revenues:						
Property taxes	1,038,524	992,945	-	-	1,038,524	992,945
Other taxes	2,127,822	2,357,305	-	-	2,127,822	2,357,305
Other	257,940	255,987	65,802	131,743	323,742	387,730
Total Revenues	4,764,799	4,424,435	12,996,793	11,952,116	17,761,592	16,376,551
Expenses:						
General Government	1,106,566	742,508	-	-	1,106,566	742,508
Public Safety	3,081,981	2,730,116	-	-	3,081,981	2,730,116
Transportation	336,289	365,473	-	-	336,289	365,473
Culture and Recreation	221,430	134,940	-	-	221,430	134,940
Interest on Long-Term Debt	-	6,737	-	-	-	6,737
Public Utilities	-	-	10,283,553	9,983,794	10,283,553	9,983,794
Total Expenses	4,746,266	3,979,774	10,283,553	9,983,794	15,029,819	13,963,568
Transfers	829,802	621,204	(829,802)	(621,204)	-	-
Change in Net Position	848,335	1,065,865	1,883,438	1,347,118	2,731,773	2,412,983
Net Position, Beginning of Year	3,601,528	2,535,663	20,825,889	19,478,771	24,427,417	22,014,434
Net Position, End of Year	\$ 4,449,863	\$ 3,601,528	\$ 22,709,327	\$ 20,825,889	\$ 27,159,190	\$ 24,427,417

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities (continued)

Governmental activities increased the City's net position by \$848,335. This increase includes a transfer in from the Utility System Revenue Enterprise Fund for \$829,802. Also, the City's total revenues increased by \$340,364 compared to the prior fiscal year, largely due to an increase in capital grants and contribution revenue of \$644,350. This increase was due to two large grant funded projects during fiscal year 2020, consisting of a sewer rehabilitation project funded by the Community Development Block Grant (CDBG) for \$625,182 and the construction of a splash park funded by the Florida Recreation Development Assistance Program (FRDAP).

Upon comparing expenses within governmental and business-type activities from fiscal year 2019 to 2020, general government and public safety expenses had the largest year over year increase, which totaled \$715,923. This difference was due to the change in pension related amounts that increased these expenses by \$52,023 in fiscal year 2020; in fiscal year 2019 the change in pension related amounts decreased these expenses by \$673,400.

Business-type activities

Business-type activities increased the City's net position by \$1,883,438. Revenues increased by \$1,044,677 due to higher capital grant and contribution revenue by \$1,645,127.

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. Unreserved 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, 2020, the City's governmental funds reported combined ending fund balances of \$3,476,437, an increase of \$592,110 in comparison with the prior fiscal year. Approximately 30% of this total amount \$1,053,823 constitutes unassigned fund balances, which are available for spending at the City's discretion. The remainder of the fund balance, \$2,422,614, is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been reserved for other purposes.

The General Fund is the chief operating fund of the City. At September 30, 2020, the unassigned fund balance of the General Fund was \$1,053,823, the restricted total fund balance was \$43,186, the assigned fund balance was \$223,946, and the nonspendable fund balance was \$40,645. Total fund balance in the General Fund increased by \$235,005 over the prior year. Although expenditures exceeded revenues by \$776,598, the General Fund was supported by a transfer in from the Utility System Revenue Enterprise Fund for \$829,802, which related to overhead charges stemming from the General Fund's administrative support to the Utility System Revenue Fund.

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 of the Transportation Trust Fund increased by \$357,280 during the current fiscal year. The Transportation Trust's restricted fund balance at September 30, 2020, was \$469,992.

The Community Redevelopment Agency is a special revenue fund is used to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment in the designated community redevelopment area. At September 30, 2020, the restricted fund balance was \$1,890.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

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, 2020, amounted to \$3,350,647.

General Fund, Transportation Trust, and CRA Budgetary Highlights

All three funds completed Fiscal Year 2020 with net change in fund balance of \$235,005, \$357,280, and (\$170), respectively. There were budget amendments during the year in the General Fund increasing general government and public safety expenditures, totaling \$37,781. There were no major budget amendments in the General Fund during fiscal year 2020. The more significant changes between budgeted and actual figures consisted of actual intergovernmental revenues that were \$108,300 lower than budget and actual capital outlay expenditures that were \$182,552 higher than budget. This was due to certain grant-funded projects that either did not come to fruition or were not fully expended as planned in fiscal year 2020.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$20.995 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure improvements since October 1, 2003, vehicles, and equipment.

Major capital assets added during the current fiscal year included the following:

- The City purchased a variety of equipment, tools, and other similar items totaling \$46,229. Of that amount, \$26,796 related to governmental activities (primarily for the provision of public safety services), and \$19,433 for business-type activities to be used in utility operations.
- The City incurred construction costs totaling \$2,372,833 on active projects in fiscal year 2020, consisting of \$602,227 relating to governmental activities and \$1,770,606 relating to business-type activities.

Capital assets for governmental activities and business-type activities consisted of the following as of September 30, 2020 and 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital Assets Not Being Depreciated:						
Land	178,460	178,460	1,589,398	1,589,398	1,767,858	1,767,858
Construction in progress	856,536	254,309	2,884,957	1,114,351	3,741,493	1,368,660
Capital Assets Being Depreciated:						
Infrastructure	9,830,245	9,830,245	34,446,863	32,743,867	44,277,108	42,574,112
Land Improvements	10,048	10,048	-	-	10,048	10,048
Buildings and improvements	2,465,636	2,424,841	1,115,730	1,115,730	3,581,366	3,540,571
Machinery and equipment	2,674,827	2,648,031	6,316,051	6,296,618	8,990,878	8,944,649
Less: Accumulated Depreciation	<u>(12,736,405)</u>	<u>(12,399,898)</u>	<u>(25,894,000)</u>	<u>(24,810,446)</u>	<u>(38,630,405)</u>	<u>(37,210,344)</u>
Total	\$ 3,279,347	\$ 2,946,036	\$20,458,999	\$18,049,518	\$23,738,346	\$20,995,554

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

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Long-term debt

At the end of the current fiscal year, the City had a total long-term liabilities of \$6,679,700, which consisted of \$3,155,340 and \$3,524,360 in governmental activities and business-type activities, respectively..

A summary of long-term debt obligations of the City follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Compensated Absences	\$ 133,997	\$ 126,326	\$ 101,175	\$ 101,175	\$ 235,172	\$ 227,501
Notes Payable	503,012	552,422	1,138,228	1,304,936	1,641,240	1,857,358
Total OPEB Liability	618,611	817,618	235,322	288,785	853,933	1,106,403
Net Pension Liability	<u>1,899,720</u>	<u>1,636,975</u>	<u>2,049,635</u>	<u>2,396,203</u>	<u>3,949,355</u>	<u>4,033,178</u>
Total	\$3,155,340	\$3,133,341	\$ 3,524,360	\$ 4,091,099	\$6,679,700	\$7,224,440

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 Budget and Rates

The State of Florida, by Constitution, does not have a state personal income tax; 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 fees, charges for services, etc.) to finance governmental activities. There are also a limited number of state shared revenues and recurring and non-recurring grants from both state and federal governmental agencies.

Currently Known Facts, Conditions, or Decisions

The City is anticipating entering into grant and loan agreements for various purposes in fiscal year 2021 and beyond. More significant grant or debt funded projects consist of the following:

- The City plans to replace the 50 year old Sewer Treatment Plant and sewer collection system through a grant / loan from the USDA and Florida State Revolving Fund program beginning in FY 2021. The USDA wastewater treatment facility grant is estimated at \$9,633,000 and the USDA loan is estimated to be \$10,676,000. Also, the State Revolving Fund grant and loan program is expected to amount to \$5,400,000, which is 90% grant funded at 10% loan funded.
- Grant applications were submitted for water main improvements, water tank rehabilitation, and a water main upgrade.
- A preliminary application has been reviewed and a request made to submit a final application relating to a CDBG-CV grant opportunity. This relates to the Community Development Block Grant CARES Act, which involves the use of grant funds to prevent and respond to the spread of COVID-19 in local communities.

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 St., Starke, FL 32091.

BASIC FINANCIAL STATEMENTS

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

CITY OF STARKE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,673,796	\$ 3,820,787	\$ 7,494,583
Investments	-	1,000	1,000
Receivables, net	11,293	2,094,655	2,105,948
Internal balances	(107,666)	107,666	-
Due from pension trust funds	22,800	-	22,800
Due from other governments	292,417	1,709,853	2,002,270
Inventories	-	645,610	645,610
Prepays	44,630	33,770	78,400
Restricted assets:			
Cash and cash equivalents	-	39,727	39,727
Capital assets:			
Capital assets, not being depreciated	1,034,996	4,474,355	5,509,351
Other capital assets, net of depreciation	2,244,351	15,984,644	18,228,995
Total assets	<u>7,216,617</u>	<u>28,912,067</u>	<u>36,128,684</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,312,069	596,099	1,908,168
Related to OPEB	290,994	110,693	401,687
Total deferred outflows	<u>1,603,063</u>	<u>706,792</u>	<u>2,309,855</u>
LIABILITIES			
Accounts payable and accrued liabilities	334,731	1,722,514	2,057,245
Customer deposits	-	1,126,679	1,126,679
Unearned revenue	44,394	50,082	94,476
Accrued interest payable	6,737	5,687	12,424
Due to pension trust funds	81,708	-	81,708
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	72,123	204,674	276,797
Compensated absences	88,000	61,000	149,000
Due in more than one year:			
Bonds and notes payable	430,889	933,554	1,364,443
Compensated absences	45,997	40,175	86,172
Total OPEB liability	618,611	235,322	853,933
Net pension liability	1,899,720	2,049,635	3,949,355
Total liabilities	<u>3,622,910</u>	<u>6,429,322</u>	<u>10,052,232</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	396,884	316,647	713,531
Related to OPEB	273,717	104,123	377,840
Total deferred inflows of resources	<u>670,601</u>	<u>420,770</u>	<u>1,091,371</u>
NET POSITION			
Net investment in capital assets	2,776,335	19,320,771	22,097,106
Restricted for:			
Public safety	43,186	-	43,186
Transportation	469,992	-	469,992
Debt service	-	37,909	37,909
Community redevelopment	1,890	-	1,890
Unrestricted	1,234,766	3,410,087	4,644,853
Total net position	<u>\$ 4,526,169</u>	<u>\$ 22,768,767</u>	<u>\$ 27,294,936</u>

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

**CITY OF STARKE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,093,367	\$ 130,718	\$ -	\$ -	\$ (962,649)	\$ -	\$ (962,649)
Public safety	3,024,853	40,924	118,937	-	(2,864,992)	-	(2,864,992)
Transportation	333,077	-	380,544	67,260	114,727	-	114,727
Culture and recreation	218,663	25,040	-	577,090	383,467	-	383,467
Total governmental activities	<u>4,669,960</u>	<u>196,682</u>	<u>499,481</u>	<u>644,350</u>	<u>(3,329,447)</u>	<u>-</u>	<u>(3,329,447)</u>
Business-type activities:							
Electric	7,536,086	7,655,108	22,482	1,100,085	-	1,241,589	1,241,589
Water	547,190	934,736	-	-	-	387,546	387,546
Sewer	1,643,859	1,924,762	-	625,182	-	906,085	906,085
Gas	496,978	429,444	-	239,192	-	171,658	171,658
Total business-type activities	<u>10,224,113</u>	<u>10,944,050</u>	<u>22,482</u>	<u>1,964,459</u>	<u>-</u>	<u>2,706,878</u>	<u>2,706,878</u>
Total primary government	<u>\$ 14,894,073</u>	<u>\$ 11,140,732</u>	<u>\$ 521,963</u>	<u>\$ 2,608,809</u>	<u>(3,329,447)</u>	<u>2,706,878</u>	<u>(622,569)</u>
General revenues:							
Property taxes					1,038,524	-	1,038,524
Sales taxes					967,367	-	967,367
Other taxes					56,660	-	56,660
Franchise and utility taxes					1,103,795	-	1,103,795
Intergovernmental					204,274	-	204,274
Investment earnings					8,518	18,767	27,285
Miscellaneous revenues					45,148	47,035	92,183
Transfers					829,802	(829,802)	-
Total general revenues and transfers					<u>4,254,088</u>	<u>(764,000)</u>	<u>3,490,088</u>
Change in net position					924,641	1,942,878	2,867,519
Net position - beginning of year					3,601,528	20,825,889	24,427,417
Net position - ending of year					<u>\$ 4,526,169</u>	<u>\$ 22,768,767</u>	<u>\$ 27,294,936</u>

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

**CITY OF STARKE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund	Transportation Trust Fund	Community Redevelopment Agency	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,589,513	\$ 2,082,393	\$ 1,890	\$ 3,673,796
Receivables, net	11,254	39	-	11,293
Due from other governments	228,000	64,417	-	292,417
Due from other funds	128,625	3,332	-	131,957
Prepaid items	40,645	3,985	-	44,630
Total assets	<u>\$ 1,998,037</u>	<u>\$ 2,154,166</u>	<u>\$ 1,890</u>	<u>\$ 4,154,093</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 294,981	\$ 39,750	-	\$ 334,731
Unearned revenue	44,394	-	-	44,394
Due to other funds	297,092	1,439	-	298,531
Total liabilities	<u>636,467</u>	<u>41,189</u>	<u>-</u>	<u>677,656</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	40,645	3,985	-	44,630
Restricted for:				
Public safety	43,186	-	-	43,186
Community redevelopment	-	-	1,890	1,890
Road improvements	-	469,992	-	469,992
Committed to:				
Road improvements	-	1,639,000	-	1,639,000
Assigned to:				
Subsequent year's budget	223,946	-	-	223,946
Unassigned	1,053,793	-	-	1,053,793
Total fund balances	<u>1,361,570</u>	<u>2,112,977</u>	<u>1,890</u>	<u>3,476,437</u>
Total liabilities and fund balances	<u>\$ 1,998,037</u>	<u>\$ 2,154,166</u>	<u>\$ 1,890</u>	<u>\$ 4,154,093</u>

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

**CITY OF STARKE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Fund balances - total governmental funds \$ 3,476,437

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

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

Total governmental capital assets	16,015,752	
Less: accumulated depreciation	<u>(12,736,405)</u>	3,279,347

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

Net pension liability	(1,899,720)	
Deferred outflows related to pensions	1,312,069	
Deferred inflows related to pensions	<u>(396,884)</u>	(984,535)

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

Total OPEB liability	(618,611)	
Deferred outflows related to OPEB	290,994	
Deferred inflows related to OPEB	<u>(273,717)</u>	(601,334)

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

Bonds and notes payable	(503,012)	
Accrued interest payable	(6,737)	
Compensated absences	<u>(133,997)</u>	(643,746)

Net position of governmental activities \$ 4,526,169

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

CITY OF STARKE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Transportation Trust Fund</u>	<u>Community Redevelopment Agency</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 2,420,221	\$ 546,658	\$ -	\$ 2,966,879
Permits and fees	271,840	-	-	271,840
Intergovernmental	1,141,050	151,629	-	1,292,679
Fines and forfeitures	27,387	-	-	27,387
Investment income	1,709	6,809	-	8,518
Miscellaneous	168,131	-	-	168,131
Total revenues	<u>4,030,338</u>	<u>705,096</u>	<u>-</u>	<u>4,735,434</u>
Expenditures				
Current:				
General government	885,973	-	175	886,148
Public safety	2,927,719	-	-	2,927,719
Transportation	4,080	237,573	-	241,653
Culture and recreation	179,308	-	-	179,308
Capital outlay	587,448	110,243	-	697,691
Debt service:				
Principal	201,846	-	-	201,846
Interest	20,562	-	-	20,562
Total expenditures	<u>4,806,936</u>	<u>347,816</u>	<u>175</u>	<u>5,154,927</u>
Excess (deficiency) of revenues over expenditures	<u>(776,598)</u>	<u>357,280</u>	<u>(175)</u>	<u>(419,493)</u>
Other financing sources (uses)				
Transfers in	829,802	-	-	829,802
Proceeds from sale of capital assets	29,365	-	-	29,365
Note issued	152,436	-	-	152,436
Total other financing sources (uses)	<u>1,011,603</u>	<u>-</u>	<u>-</u>	<u>1,011,603</u>
Net change in fund balances	<u>235,005</u>	<u>357,280</u>	<u>(175)</u>	<u>592,110</u>
Fund balances, beginning of year	1,126,565	1,755,697	2,065	2,884,327
Fund balances, end of year	<u><u>\$ 1,361,570</u></u>	<u><u>\$ 2,112,977</u></u>	<u><u>\$ 1,890</u></u>	<u><u>\$ 3,476,437</u></u>

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

CITY OF STARKE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds	\$ 592,110
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	697,691
Depreciation expense	(355,554)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	
	(8,826)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	201,846
Issuance of governmental long-term debt	(152,436)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	24,283
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in compensated absences liability	(7,671)
Change in total OPEB liability	(66,802)
Change in net position of governmental activities	\$ 924,641

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

CITY OF STARKE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND
SEPTEMBER 30, 2020

ASSETS

Cash and cash equivalents	\$ 3,820,787
Investments	1,000
Accounts receivable, net	2,094,655
Due from other governments	1,709,853
Inventories	645,610
Prepaid items	33,770
Due from other funds	212,491
Restricted current assets:	
Cash and cash equivalents	39,727
Total current assets	8,557,893
Noncurrent assets:	
Capital assets, not being depreciated	4,474,355
Capital assets, being depreciated, net	15,984,644
Total noncurrent assets	20,458,999
Total assets	29,016,892

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	596,099
Related to OPEB	110,693
Total deferred outflows of resources	706,792

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	1,722,514
Customer deposits	1,126,679
Power costs recovered in advance	50,082
Due to other funds	104,825
Current maturities on long-term debt	162,622
Accrued interest payable	3,869
Compensated absences	61,000
Payable from restricted assets:	
Current maturities on long-term debt	42,052
Accrued interest payable	1,818
Total current liabilities	3,275,461
Noncurrent liabilities:	
Bonds and notes payable, net	933,554
Compensated absences	40,175
Total OPEB liability	235,322
Net pension liability	2,049,635
Total noncurrent liabilities	3,258,686
Total liabilities	6,534,147

DEFERRED INFLOWS OF RESOURCES

Related to pensions	316,647
Related to OPEB	104,123
Total deferred inflows of resources	420,770

NET POSITION

Net investment in capital assets	19,320,771
Restricted for debt service	37,909
Unrestricted	3,410,087
Total net position	\$ 22,768,767

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

CITY OF STARKE, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Operating revenues	
Charges for services	\$ 10,944,050
Miscellaneous revenues	24,887
Total operating revenues	<u>10,968,937</u>
Operating expenses	
Personal services	2,210,566
Contractual services	70,521
Utilities	5,683,988
Maintenance and repairs	110,512
Other supplies	876,303
Insurance	102,283
Depreciation	1,146,650
Total operating expenses	<u>10,200,823</u>
Operating income (loss)	<u>768,114</u>
Nonoperating revenues (expenses)	
Interest earnings	18,767
Intergovernmental grants	22,482
Gain on disposition of capital assets	22,148
Interest expense	(23,290)
Total nonoperating revenues (expenses)	<u>40,107</u>
Income (loss) before capital grants and transfers	<u>808,221</u>
Capital grants	1,964,459
Transfers out	(829,802)
Change in net position	<u>1,942,878</u>
Net position, beginning of year	20,825,889
Net position, end of year	<u><u>\$ 22,768,767</u></u>

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

CITY OF STARKE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash flows from operating activities	
Cash received from customers	\$ 9,015,196
Cash paid to employees	(2,689,097)
Cash paid to suppliers	(6,268,663)
Net cash provided by (used in) operating activities	<u>57,436</u>
Cash flows from noncapital financing activities	
Transfers to other funds	(829,802)
Intergovernmental grant proceeds	22,482
Interfund loans	(72,111)
Net cash provided by (used in) noncapital financing activities	<u>(879,431)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(3,556,131)
Capital grants	1,964,459
Proceeds from sale of capital assets	22,148
Principal payments of long-term debt	(185,197)
Proceeds from issuance of long-term debt	18,489
Interest paid	(23,290)
Net cash provided by (used in) capital and related financing activities	<u>(1,759,522)</u>
Cash flows from investing activities	
Interest received	18,767
Sales of investments	675,110
Net cash provided by (used in) investing activities	<u>693,877</u>
Net change in cash and cash equivalents	<u>(1,887,640)</u>
Cash and cash equivalents, beginning of year	5,748,154
Cash and cash equivalents, end of year	<u><u>\$ 3,860,514</u></u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 3,820,787
Restricted	39,727
Total cash and cash equivalents	<u><u>\$ 3,860,514</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 768,114
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,146,650
Changes in assets and liabilities:	
Accounts receivable	(317,938)
Due from other governments	(1,558,573)
Inventories	(27,569)
Prepaid items	(18,286)
Accounts payable and accrued liabilities	620,799
Deposits	137,854
Power costs recovered in advance	(215,084)
Net pension liability and related deferred outflows and inflows	(518,485)
Total OPEB liability and related deferred outflows and inflows	39,954
Net cash provided by (used in) operating activities	<u><u>\$ 57,436</u></u>

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

CITY OF STARKE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 588,158
Receivables	
Employer contributions receivable	81,708
Interest and dividends receivable	18,257
Total receivables	99,965
Investments, at fair value	
Money market funds	1,103,006
Collateral mortgage obligations	527,862
Fixed income ETF	664,234
Equity ETF	1,726,180
Equity mutual funds	1,189,175
Fixed income mutual funds	777,764
Municipal obligations	100,009
Corporate bonds	2,330,763
Common equity securities	11,140,713
Total investments	19,559,706
Total assets	20,247,829
LIABILITIES	
Accounts payable	327,294
Due to other funds	22,800
Total liabilities	350,094
NET POSITION	
Restricted for pensions	\$ 19,897,735

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

CITY OF STARKE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 1,226,495
Plan members	51,675
Total contributions	<u>1,278,170</u>
Investment earnings	
Net appreciation (depreciation) in fair value of investments	2,133,979
Interest and dividends	325,415
Total investment earnings	<u>2,459,394</u>
Less: investment expense	(113,351)
Net investment income (loss)	<u>2,346,043</u>
 Total additions	 <u>3,624,213</u>
Deductions	
Benefit payments and refunds	1,689,944
Administrative expenses	104,472
Total deductions	<u>1,794,416</u>
 Change in net position	 <u>1,829,797</u>
 Net position restricted for pensions, beginning of year	 18,067,938
 Net position restricted for pensions, end of year	 <u><u>\$ 19,897,735</u></u>

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

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

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

Generally accepted accounting principles require that these financial statements present the City (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary 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.

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

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus blended component assets are appropriately presented as funds of the primary government.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges for services that are directly related to a given function; and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

The City reports the following major governmental funds:

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

Community Redevelopment Agency—a special revenue fund is used to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment in the designated community redevelopment area.

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

The City reports the following enterprise fund:

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

The City reports the following fiduciary fund:

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

(e) **Measurement focus, basis of accounting, and financial statement presentation**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

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

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

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

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

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

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

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

(m) **Deferred inflows and outflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only items in this category are deferred amounts related to pension and other postemployment benefits (OPEB), as discussed further in Note (8).

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

(n) **Property taxes**—The Bradford County Tax Collector bills and collects property taxes for the City. At September 30, 2020, the property taxes receivable were not material.

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

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

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

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

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

The budget, as adopted, may only be amended through formal approval by City Commission. The level at which expenditures may not legally exceed budget is at the fund level. The City Manager or City Clerk may transfer budgeted amounts within and between departments of the City without formal approval by City Commission.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

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

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

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

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

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

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(3) **Deposits and Investments:**

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

(b) **Investments**— The City's investments are certificates of deposits at September 30, 2020, and are held in qualified public depositories pursuant to Chapter 280, Florida Statutes and, accordingly, are entirely insured by federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

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

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

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

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

Pension Plans’ Investment Portfolio

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

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

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

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

Bonds issued by the State of Israel.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

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

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

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

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

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

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

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

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

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

	Fair Value	Weighted Average Maturity (years)	Credit Rating Range (Moody’s)	Fair Value Hierarchy Classification
Money market funds	\$ 684,957	N/A	NR	Level 1
Collateral mortgage obligations	360,025	> 20.00	NR	Level 2
Municipal obligations	100,009	1.50	A2	Level 2
Corporate bonds	1,658,193	4.33	A2 – Baa2	Level 2
Common equity securities	8,043,016	N/A	NR	Level 1
Total General’	<u>\$ 10,846,200</u>			

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Money market funds	\$ 277,896	N/A	NR	Level 1
Collateral mortgage obligations	167,837	> 20.00	NR	Level 2
Corporate bonds	672,570	3.42	A2 – Baa2	Level 2
Common equity securities	3,097,697	N/A	NR	Level 1
Total Fire	<u>\$ 4,216,000</u>			

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Money market funds	\$ 140,153	N/A	NR	Level 1
Fixed income ETF	664,234	2.90	Aaa – Baa	Level 1
Equity ETF	1,726,180	N/A	NR	Level 1
Equity mutual funds	1,189,175	N/A	NR	Level 1
Fixed income mutual funds	777,764	7.66	AAA – BB	Level 1
Total Police	<u>\$ 4,497,506</u>			

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2020, the weighted average maturity in years for each investment type is included in the preceding table.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines at September 30, 2020.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. For the Police Pension Plan, not more than 5% of the Plan's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding common or capital stock of that company. For the General and Fire Pension Plans, not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company. The value of bonds issued by any single corporation shall not exceed 10% of the total fund. At September 30, 2020, the investment portfolios met the single issuer limitations.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to twenty-five (25) percent of its investments in securities at market value in foreign securities. At September 30, 2020, the investment portfolios met the foreign securities limitations.

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

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2020, individual fund interfund receivables and payables for the primary government were comprised of the following:

	Due From Other Funds	Due to Other Funds
Governmental Activities:		
General Fund	\$ 128,625	\$ 297,092
Transportation Trust Fund	3,332	1,439
Business-Type Activities:		
Utilities System Revenue Fund	212,491	104,825
Fiduciary Funds:		
General Pension	-	11,800
Police Pension	51,460	5,500
Fire Pension	30,248	5,500
Totals – All Funds	\$ 426,156	\$ 426,156

For the year ended September 30, 2020, individual fund transfers to and from other funds for the primary government were comprised of the following:

	Transfers In	Transfers Out
Governmental Activities:		
General Fund	\$ 829,802	\$ -
Business-Type Activities:		
Utilities System Revenue Fund	-	829,802
Totals – All Funds	\$ 829,802	\$ 829,802

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(5) Receivables:

The City's receivables consisted of the following at September 30, 2020:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 11,254	\$ -	\$ 11,254
Intergovernmental	228,000	-	228,000
Transportation Trust Fund			
Accounts receivable	39	-	39
Intergovernmental	64,417	-	64,417
Totals – Governmental Activities	<u>303,710</u>	<u>-</u>	<u>303,710</u>
Business-Type Activities:			
Utility Systems Revenue Fund			
Accounts receivable	2,124,655	(30,000)	2,094,655
Intergovernmental	1,709,853	-	1,709,853
Totals – Business-Type Activities	<u>3,834,508</u>	<u>(30,000)</u>	<u>3,804,508</u>
Totals	<u>\$ 4,138,218</u>	<u>\$ (30,000)</u>	<u>\$ 4,108,218</u>

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 178,460	\$ -	\$ -	\$ 178,460
Construction in progress	254,309	602,227	-	856,536
Total capital assets, not being depreciated	<u>432,769</u>	<u>602,227</u>	<u>-</u>	<u>1,034,996</u>
Capital assets, being depreciated –				
Infrastructure	9,830,245	-	-	9,830,245
Land improvements	10,048	-	-	10,048
Buildings and improvements	2,424,841	40,795	-	2,465,636
Machinery and equipment	2,648,031	54,669	(27,873)	2,674,827
Total capital assets, being depreciated	<u>14,913,165</u>	<u>95,464</u>	<u>(27,873)</u>	<u>14,980,756</u>
Less accumulated depreciation for–				
Total accumulated depreciation	<u>(12,399,898)</u>	<u>(355,554)</u>	<u>19,047</u>	<u>(12,736,405)</u>
Total capital assets, being depreciated, net	<u>2,513,267</u>	<u>(260,090)</u>	<u>(8,826)</u>	<u>2,244,351</u>
Governmental activities capital assets, net	<u>\$ 2,946,036</u>	<u>\$ 342,137</u>	<u>\$ (8,826)</u>	<u>\$ 3,279,347</u>

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 1,589,398	\$ -	\$ -	\$ 1,589,398
Construction in progress	1,114,351	1,770,606	-	2,884,957
Total capital assets, not being depreciated	<u>2,703,749</u>	<u>1,770,606</u>	<u>-</u>	<u>4,474,355</u>
Capital assets, being depreciated –				
Infrastructure	32,743,867	1,702,996	-	34,446,863
Building and improvements	1,115,730	-	-	1,115,730
Machinery and equipment	6,296,618	82,529	(63,096)	6,316,051
Total capital assets, being depreciated	<u>40,156,215</u>	<u>1,785,525</u>	<u>(63,096)</u>	<u>41,878,644</u>
Less accumulated depreciation for –				
Total accumulated depreciation	<u>(24,810,446)</u>	<u>(1,146,650)</u>	<u>63,096</u>	<u>(25,894,000)</u>
Total capital assets, being depreciated, net	<u>15,345,769</u>	<u>638,875</u>	<u>-</u>	<u>15,984,644</u>
Business-type activities capital assets, net	<u>\$ 18,049,518</u>	<u>\$ 2,409,481</u>	<u>\$ -</u>	<u>\$ 20,458,999</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General governmental		\$ 60,383
Public safety		173,124
Transportation		86,733
Culture and recreation		35,314
Total depreciation expense - governmental activities		<u>\$ 355,554</u>
Business-type activities:		
Utilities System Revenue Fund		\$ 1,146,650
Total depreciation expense - business-type activities		<u>\$ 1,146,650</u>

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

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 552,422	\$ 152,436	\$ (201,846)	\$ 503,012	\$ 72,123
Compensated absences	126,326	95,606	(87,935)	133,997	88,000
Governmental activities – Total long-term liabilities	<u>\$ 678,748</u>	<u>\$ 248,042</u>	<u>\$ (289,781)</u>	<u>\$ 637,009</u>	<u>\$ 160,123</u>
Business-type activities:					
Notes payable	\$ 1,304,936	\$ 18,489	\$ (185,197)	\$ 1,138,228	\$ 204,674
Compensated absences	101,175	61,189	(61,189)	101,175	61,000
Business-type activities – Total long-term liabilities	<u>\$ 1,406,111</u>	<u>\$ 79,678</u>	<u>\$ (246,386)</u>	<u>\$ 1,239,403</u>	<u>\$ 265,674</u>

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(7) Long-Term Obligations: (Continued)

Notes payable in the City’s business-type activities at September 30, 2020, were comprised of the following obligations:

<p>\$2,000,000 - 2007 Electrical Upgrade Note, to purchase upgrades for the electrical system. Loan is payable and secured by a pledge of the electric utility revenue. Interest rate is variable and adjusted annually in July, based on 65% of the JP Morgan Prime rate (Index) minus .25% (1.86% as of September 2020); currently paid in monthly installments of \$12,858, final payment is due October 2023.</p>	<p>\$ 456,956</p>
<p>\$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.</p>	<p>498,015</p>
<p>Department of Environmental Protection Clean Water State Revolving Loan - Total funding awarded is \$1,193,302 of which \$889,950 is the estimated amount of principal forgiveness. The loan is payable in 40 semi-annual installments including interest at 0.6% per annum plus a loan service fee based on 2% of the final outstanding loan amount. First payment was due May 15, 2019. The loan is secured by the gross revenues of the utility system after payment of the operation and maintenance expense and senior revenue obligations.</p>	<p>183,257</p>
<p>Total bonds and notes payable – business-type activities</p>	<p><u>\$ 1,138,228</u></p>

Bonds and notes payable in the City’s governmental activities at September 30, 2020, were comprised of the following obligations:

<p>\$152,436 - 2020 Police Vehicle Note, to acquire one 2019 Dodge Charger and one 2020 Dodge Charger for the police department, and to pay off 2019 Police Vehicle Note in the amount of \$101,017. Note is payable in quarterly installments of \$6,163 including interest at 3.575% per annum, final payment is due November 2026; secured by two vehicles with an original cost of \$50,253.</p>	<p>\$ 125,692</p>
<p>\$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 2021; secured by the four vehicles with an original cost of \$125,456.</p>	<p>6,641</p>
<p>\$500,000 - 2017 Fire Truck Note, to acquire one 2017 fire truck. Note is payable in annual installments of \$58,230 including interest at the rate which gives the lender a tax equivalent yield of 3.44%; final payment is due May 24, 2027; secured by the fire truck with an original cost of \$435,000.</p>	<p>370,679</p>
<p>Total bonds and notes payable – governmental activities</p>	<p><u>\$ 503,012</u></p>

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

The annual requirements to amortize notes payable as of September 30, 2020, are as follows:

Governmental Activities

Year Ending September 30,	Principal	Interest	Total
2021	\$ 72,123	\$ 17,448	\$ 89,571
2022	67,770	15,114	82,884
2023	70,139	12,745	82,884
2024	72,585	10,299	82,884
2025	75,130	7,754	82,884
2026-2027	145,265	7,647	152,912
Total	<u>\$ 503,012</u>	<u>\$ 71,007</u>	<u>\$ 574,019</u>

Business-type Activities

Year Ending September 30,	Principal	Interest	Total
2021	\$ 204,674	\$ 21,243	\$ 225,917
2022	208,843	17,074	225,917
2023	212,879	13,458	226,337
2024	68,995	10,118	79,113
2025	62,797	8,824	71,621
2026-2030	334,290	23,815	358,105
2031	45,750	479	46,229
Total	<u>\$ 1,138,228</u>	<u>\$ 95,011</u>	<u>\$ 1,233,239</u>

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

A. Employees' Retirement Fund

Plan Description and Administration

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

Plan Board

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

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

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

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

Plan Membership

Coverage applies to all full-time employees. As of September 30, 2019, the latest actuarial valuation date, the membership in the System consisted of the following:

Group	General Employees	Police Officers	Fire Fighters'
Inactive plan members and beneficiaries currently receiving benefits	57	13	5
Inactive plan members entitled to but not receiving benefits	3	3	-
Active plan members	40	17	38
Total	100	33	43

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Normal Provisions

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

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

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

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

Deferred Retirement Option Program (DROP) Provisions

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

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

Payroll, Credited Service and Contribution Information

Payroll for employees covered by the System, for the year ended September 30, 2020, was \$2,733,123. The annual pension cost for the City was \$1,226,495 which includes \$135,746, 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.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

The City is required to contribute a percentage of covered payroll based on actuarially determined requirements of 42.2% for general employees, 22.5% for police officers and 36.5% for firefighters. Annually, the state contributes monies for police and fire employees from taxes levied on insurance premiums. The state contributions are legally restricted for payment of benefits for police and fire employees. Annual actuarial valuations are performed each year to determine the City's contribution requirements. Costs incurred to administer the retirement plan are financed by investment earnings.

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

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary. For the year ended September 30, 2020, there were no contributions from the State of Florida to the City's pension plans.

For the year ended September 30, 2020, contributions to the City's pension plans were as follows:

	General Employees Plan	Police Plan	Fire Plan	Total
Employee contributions	\$ 16,034	\$ 8,049	\$ 27,592	\$ 51,675
City contributions	747,365	224,398	254,732	1,226,495
State contributions	-	-	-	-
Total contributions	<u>\$ 763,399</u>	<u>\$ 232,447</u>	<u>\$ 282,324</u>	<u>\$ 1,278,170</u>

Financial Statements

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2020:

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

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2020, were as follows:

	General Employees Plan	Police Plan	Fire Plan	Total
Total pension liability	\$ 12,441,437	\$ 4,853,485	\$ 4,722,371	\$ 22,017,293
Plan fiduciary net position	(9,730,476)	(4,469,865)	(3,867,597)	(18,067,938)
Net pension liability	\$ 2,710,961	\$ 383,620	\$ 854,774	\$ 3,949,355
Plan fiduciary net position as percentage of total pension liability	78.21%	92.10%	81.90%	82.06%

The total pension liability was determined by an actuarial valuation as of October 1, 2019, and measurement date of September 30, 2019, using the following actuarial assumptions to all measurement periods.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

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

Discount rate:

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

Changes in net pension liability:

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

	General Employees Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 12,656,935	\$ 9,692,060	\$ 2,964,875
Changes for year:			
Service cost	77,857	-	77,857
Interest	903,186	-	903,186
Differences between expected/actual experience	(195,751)	-	(195,751)
Contributions – employer	-	676,062	(676,062)
Contributions – employee	-	14,173	(14,173)
Contributions – employee picked up by employer	-	70,864	(70,864)
Net investment income	-	313,459	(313,459)
Benefit payments, including refunds	(1,000,790)	(1,000,790)	-
Administrative expenses	-	(35,352)	35,352
Net changes	(215,498)	38,416	(253,914)
Ending Balance	\$ 12,441,437	\$ 9,730,476	\$ 2,710,961

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

	Police Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 4,617,493	\$ 4,331,318	\$ 286,175
Changes for year:			
Service cost	129,963	-	129,963
Interest	334,716	-	334,716
Differences between expected/actual experience	60,234	-	60,234
Contributions – employer	-	203,301	(203,301)
Contributions – employee	-	6,855	(6,855)
Contributions – employee picked up by employer	-	34,275	(34,275)
Net investment income	-	215,415	(215,415)
Benefit payments, including refunds	(288,921)	(288,921)	-
Administrative expenses	-	(32,378)	32,378
Net changes	<u>235,992</u>	<u>138,547</u>	<u>97,445</u>
Ending Balance	<u>\$ 4,853,485</u>	<u>\$ 4,469,865</u>	<u>\$ 383,620</u>

	Fire Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 4,661,902	\$ 3,879,774	\$ 782,128
Changes for year:			
Service cost	84,734	-	84,734
Interest	337,300	-	337,300
Differences between expected/actual experience	(6,284)	-	(6,284)
Contributions – employer	-	203,630	(203,630)
Contributions – employee	-	23,770	(23,770)
Contributions – employee picked up by employer	-	21,548	(21,548)
Net investment income	-	127,498	(127,498)
Benefit payments, including refunds	(355,281)	(355,281)	-
Administrative expenses	-	(33,342)	33,342
Net changes	<u>60,469</u>	<u>(12,177)</u>	<u>72,646</u>
Ending Balance	<u>\$ 4,722,371</u>	<u>\$ 3,867,597</u>	<u>\$ 854,774</u>

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

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

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
General Employees	7.50%	\$ 3,902,042	\$ 2,710,961	\$ 1,697,751
Police	7.25%	970,627	383,620	(102,576)
Fire	7.50%	1,424,602	854,774	380,631
Total		<u>\$ 6,297,271</u>	<u>\$ 3,949,355</u>	<u>\$ 1,975,806</u>

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

For the year ended September 30, 2020, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	General Employees Plan	Police Plan	Fire Plan
Annual money-weighted rate of return	15.0%	6.07%	15.3%

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$256,888, \$263,397, and \$163,441 in the General Employees, Police, and Fire pension plans, respectively, for a total of \$683,726.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees Plan		Police Plan		Fire Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,068	\$ (144,970)	\$ 91,687	\$ (62,884)	\$ 342,191	\$ (153,075)
Changes of assumptions	-	(201)	138,509	(5,949)	12,691	(11,247)
Contributions made subsequent to measurement date	747,365	-	224,398	-	254,732	-
Net difference between projected and actual investment earnings	-	(273,644)	55,527	-	-	(61,561)
	\$ 788,433	\$ (418,815)	\$ 510,121	\$ (68,833)	\$ 609,614	\$ (225,883)

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

	General Employees Plan	Police Plan	Fire Plan
2021	\$ (240,735)	\$ 43,232	\$ (46,402)
2022	(171,803)	66,275	(20,703)
2023	(45,836)	67,198	17,516
2024	80,627	32,367	46,192
2025	-	7,818	14,541
Thereafter	-	-	117,855

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. Pension Fund Financial Statements

The City does not issue separate financial statements for the pension trust funds. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2020:

COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 144,815	\$ 98,704	\$ 344,639	\$ 588,158
Receivables				
Employer contributions	-	51,460	30,248	81,708
Interest and dividends	12,631	-	5,626	18,257
Total receivables	<u>12,631</u>	<u>51,460</u>	<u>35,874</u>	<u>99,965</u>
Investments, at fair value				
Money market funds	684,957	140,153	277,896	1,103,006
Collateral mortgage obligations	360,025	-	167,837	527,862
Fixed income ETF	-	664,234	-	664,234
Equity ETF	-	1,726,180	-	1,726,180
Equity mutual funds	-	1,189,175	-	1,189,175
Fixed income mutual funds	-	777,764	-	777,764
Municipal obligations	100,009	-	-	100,009
Corporate bonds	1,658,193	-	672,570	2,330,763
Common equity securities	8,043,016	-	3,097,697	11,140,713
Total investments	<u>10,846,200</u>	<u>4,497,506</u>	<u>4,216,000</u>	<u>19,559,706</u>
Total assets	<u>11,003,646</u>	<u>4,647,670</u>	<u>4,596,513</u>	<u>20,247,829</u>
LIABILITIES				
Accounts payable	39,678	14,047	273,569	327,294
Due to other funds	11,800	5,500	5,500	22,800
Total liabilities	<u>51,478</u>	<u>19,547</u>	<u>279,069</u>	<u>350,094</u>
NET POSITION				
Restricted for pensions	<u>\$ 10,952,168</u>	<u>\$ 4,628,123</u>	<u>\$ 4,317,444</u>	<u>\$ 19,897,735</u>

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
Additions				
Contributions:				
Employer	\$ 747,365	\$ 224,398	\$ 254,732	\$ 1,226,495
Plan members	16,034	8,049	27,592	51,675
Total contributions	<u>763,399</u>	<u>232,447</u>	<u>282,324</u>	<u>1,278,170</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	1,385,482	156,490	592,007	2,133,979
Interest and dividends	162,625	99,228	63,562	325,415
Total investment earnings	<u>1,548,107</u>	<u>255,718</u>	<u>655,569</u>	<u>2,459,394</u>
Less: investment expense	<u>(66,424)</u>	<u>(15,750)</u>	<u>(31,177)</u>	<u>(113,351)</u>
Net investment income (loss)	1,481,683	239,968	624,392	2,346,043
Total additions	<u>2,245,082</u>	<u>472,415</u>	<u>906,716</u>	<u>3,624,213</u>
Deductions				
Benefit payments and refunds	986,901	281,497	421,546	1,689,944
Administrative expenses	36,489	32,660	35,323	104,472
Total deductions	<u>1,023,390</u>	<u>314,157</u>	<u>456,869</u>	<u>1,794,416</u>
Change in net position	<u>1,221,692</u>	<u>158,258</u>	<u>449,847</u>	<u>1,829,797</u>
Net position restricted for pensions , beginning of year	9,730,476	4,469,865	3,867,597	18,067,938
Net position restricted for pensions , end of year	<u>\$ 10,952,168</u>	<u>\$ 4,628,123</u>	<u>\$ 4,317,444</u>	<u>\$ 19,897,735</u>

C. Other Postemployment Benefits (OPEB)

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

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

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

Active Employees	74	
Inactive Employees	7	
	81	
	81	

Total OPEB Liability— The City’s total OPEB liability of \$853,933 was measured as of September 30, 2020, and was determined by an actuarial valuation as of the date noted in the above Plan Membership section.

Actuarial Assumptions and Other Inputs—The total OPEB liability recorded at September 30, 2020, was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation		2.50%
Salary increases		3.25%-5.00%
Discount rate		2.74%
Healthcare cost trend rate	Gretzen Model	6.00%
	Ultimate rate reached in 2040	4.10%
Retirees’ share of benefit-related costs		100.00%

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

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

For the fiscal year ended September 30, 2020, changes in the total OPEB liability were as follows:

Balance at September 30, 2019	\$ 1,106,403
Changes for a year:	
Service cost	58,491
Interest	43,762
Benefit changes	13,937
Changes of assumptions	81,043
Differences between expected and actual experience	(404,736)
Benefit payments – implicit rate subsidy	(44,967)
Net changes	<u>(252,470)</u>
Balance at September 30, 2020	<u>\$ 853,933</u>

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

The following presents the total OPEB liability of the City calculated using the discount rate of 2.74%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 969,813	\$ 853,933	\$ 757,438

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

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 735,911	\$ 853,933	\$ 1,003,913

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

For the year ended September 30, 2020; the City recognized OPEB expense of \$129,492. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 185,186	\$ 345,216
Changes of assumptions and other inputs	193,765	32,624
Contributions subsequent to measurement date	22,736	-
Total	<u>\$ 401,687</u>	<u>\$ 377,840</u>

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

\$22,736 reported as a deferred outflow of resources related to OPEB resulting from benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30:</u>	
2021	\$ 6,352
2022	6,352
2023	6,352
2024	6,352
2025	7,708
Thereafter	(32,005)

(9) Risk Management:

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

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

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

The City's utility system is one of several individual municipal electric systems, which are members of FMPA, a cooperative power agency formed to provide bulk electric power to its participating members. FMPA has minority ownership interest in a number of electric generation projects and the City is a participant in two of them. Participant information was obtained from the fiscal year 2019-2020 annual report, which is the most recent issued audit report.

FMPA's St. Lucie Project

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

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

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.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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 \$5,271,000.

Power Costs Recovered in Advance

The City uses a power true-up recomputed monthly in its electric rates. At September 30, 2020, the City was over-recovered from customers by \$50,082.

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, 2020, Florida Gas Utility consisted of twenty-two members. During the current fiscal year, the City purchased approximately \$175,000 in natural gas from FGU for resale.

(11) Contingencies and Uncertainties:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2020. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

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

During the year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of September 13, 2021, management believes that a material impact on City's financial position and results of future operations is reasonably possible.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(12) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2020, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (s) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (t) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (u) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

CITY OF STARKE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,443,952	\$ 2,443,952	\$ 2,420,221	\$ (23,731)
Permits and fees	261,050	261,050	271,840	10,790
Intergovernmental	1,249,350	1,249,350	1,141,050	(108,300)
Fines and forfeitures	18,500	18,500	27,387	8,887
Investment income	5,000	5,000	1,709	(3,291)
Miscellaneous	111,792	149,573	133,139	(16,434)
Miscellaneous nonoperating income	27,500	27,500	34,992	7,492
Total revenues	<u>4,117,144</u>	<u>4,154,925</u>	<u>4,030,338</u>	<u>(124,587)</u>
EXPENDITURES				
Current:				
General government	677,295	759,220	885,973	(126,753)
Public safety	3,156,820	3,112,676	2,927,719	184,957
Transportation	6,700	6,700	4,080	2,620
Culture and recreation	226,700	226,700	179,308	47,392
Capital outlay	770,000	770,000	587,448	182,552
Debt service:				
Principal	103,931	103,931	201,846	(97,915)
Interest	5,500	5,500	20,562	(15,062)
Total expenditures	<u>4,946,946</u>	<u>4,984,727</u>	<u>4,806,936</u>	<u>177,791</u>
Excess (deficiency) of revenues over expenditures	<u>(829,802)</u>	<u>(829,802)</u>	<u>(776,598)</u>	<u>53,204</u>
Other financing sources (uses)				
Transfers in	829,802	829,802	829,802	-
Proceeds from sale of capital assets	-	-	29,365	29,365
Note issued	-	-	152,436	152,436
Total other financing sources (uses)	<u>829,802</u>	<u>829,802</u>	<u>1,011,603</u>	<u>181,801</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>235,005</u>	<u>235,005</u>
Fund balances, beginning of year	1,126,565	1,126,565	1,126,565	-
Fund balances, end of year	<u>\$ 1,126,565</u>	<u>\$ 1,126,565</u>	<u>\$ 1,361,570</u>	<u>\$ 235,005</u>

CITY OF STARKE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSPORTATION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 615,788	\$ 615,788	\$ 546,658	\$ (69,130)
Intergovernmental	1,086,902	1,086,902	151,629	(935,273)
Investment income	10,000	10,000	6,809	(3,191)
Total revenues	<u>1,712,690</u>	<u>1,712,690</u>	<u>705,096</u>	<u>(1,007,594)</u>
EXPENDITURES				
Current:				
Transportation	2,038,240	2,038,240	237,573	1,800,667
Capital outlay	1,000,000	1,000,000	110,243	889,757
Total expenditures	<u>3,038,240</u>	<u>3,038,240</u>	<u>347,816</u>	<u>2,690,424</u>
Net change in fund balances	<u>(1,325,550)</u>	<u>(1,325,550)</u>	<u>357,280</u>	<u>1,682,830</u>
Fund balances, beginning of year	1,755,697	1,755,697	1,755,697	-
Fund balances, end of year	<u>\$ 430,147</u>	<u>\$ 430,147</u>	<u>\$ 2,112,977</u>	<u>\$ 1,682,830</u>

CITY OF STARKE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
General government:				
Nondepartmental	175	175	175	-
Total expenditures	<u>175</u>	<u>175</u>	<u>175</u>	<u>-</u>
Net change in fund balances	<u>(175)</u>	<u>(175)</u>	<u>(175)</u>	<u>-</u>
Fund balances, beginning of year	2,065	2,065	2,065	-
Fund balances, end of year	<u><u>\$ 1,890</u></u>	<u><u>\$ 1,890</u></u>	<u><u>\$ 1,890</u></u>	<u><u>\$ -</u></u>

**CITY OF STARKE, FLORIDA
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEPTEMBER 30, 2020**

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

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

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

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

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

Notes to Schedule:

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

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

Discount rate:	2.74%	3.83%	3.50%
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*10 years of data will be presented as it becomes available.

CITY OF STARKE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Measurement Date September 30, Reporting Date September 30,	2019 2020	2018 2019	2017 2018	2016 2017	2015 2016	2014 2015
Total Pension Liability						
Service cost	\$ 77,857	\$ 75,346	\$ 77,269	\$ 80,638	\$ 80,417	\$ 81,824
Interest	903,186	943,073	965,027	968,718	922,364	919,179
Difference between actual and expected experience	(195,751)	92,402	(11,730)	77,226	(120,675)	(103,148)
Benefit payments including refunds of contributions	(1,000,790)	(1,669,630)	(1,187,543)	(979,794)	(813,053)	(873,327)
Assumption changes	-	-	(3,216)	694,526	-	-
Benefit changes	-	-	-	134,185	-	-
Net change in total pension liability	(215,498)	(558,809)	(160,193)	975,499	69,053	24,528
Total pension liability - beginning	12,656,935	13,215,744	13,375,937	12,400,438	12,331,385	12,306,857
Total pension liability - ending (a)	\$ 12,441,437	\$ 12,656,935	\$ 13,215,744	\$ 13,375,937	\$ 12,400,438	\$ 12,331,385
Total Fiduciary Net Position						
Contributions - employer	\$ 676,062	\$ 601,642	\$ 533,934	\$ 434,152	\$ 511,983	\$ 725,572
Contributions - employee	14,173	17,475	10,906	9,969	9,377	8,767
Contributions - employee picked up by employer	70,864	58,698	54,532	49,844	46,885	43,710
Net investment income	313,459	1,109,427	1,303,328	1,007,125	(485,656)	1,040,361
Benefit payments, including refunds of contributions	(1,000,790)	(1,669,630)	(1,187,543)	(979,794)	(813,053)	(873,327)
Administrative expense	(35,352)	(60,758)	(28,272)	(52,968)	(46,487)	(32,236)
Net change in plan fiduciary net position	38,416	56,854	686,885	468,328	(776,951)	912,847
Plan fiduciary net position - beginning	9,692,060	9,635,206	8,948,321	8,479,993	9,256,944	8,344,097
Plan fiduciary net position - ending (b)	\$ 9,730,476	\$ 9,692,060	\$ 9,635,206	\$ 8,948,321	\$ 8,479,993	\$ 9,256,944
Net pension liability - ending (a) - (b)	\$ 2,710,961	\$ 2,964,875	\$ 3,580,538	\$ 4,427,616	\$ 3,920,445	\$ 3,074,441
Plan fiduciary net position as a percentage of the total pension liability	78.21%	76.58%	72.91%	66.90%	68.38%	75.07%
Covered payroll	\$ 1,417,282	\$ 1,173,969	\$ 1,090,634	\$ 996,866	\$ 936,706	\$ 874,183
Net pension liability as a percentage of covered payroll	191.28%	252.55%	328.30%	444.15%	418.54%	351.69%

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

CITY OF STARKE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Measurement Date September 30, Reporting Date September 30,	<u>2019</u> <u>2020</u>	<u>2018</u> <u>2019</u>	<u>2017</u> <u>2018</u>	<u>2016</u> <u>2017</u>	<u>2015</u> <u>2016</u>	<u>2014</u> <u>2015</u>
Total Pension Liability						
Service cost	\$ 129,963	\$ 134,363	\$ 114,569	\$ 118,012	\$ 137,664	\$ 142,107
Interest	334,716	325,988	319,489	301,631	295,404	273,487
Difference between actual and expected experience	60,234	6,707	36,635	(131,179)	(20,659)	74,610
Benefit payments including refunds of contributions	(288,921)	(499,920)	(186,296)	(195,249)	(148,844)	(170,730)
Assumption changes	-	-	(11,196)	329,557	-	-
Net change in total pension liability	<u>235,992</u>	<u>(32,862)</u>	<u>273,201</u>	<u>422,772</u>	<u>263,565</u>	<u>319,474</u>
Total pension liability - beginning	4,617,493	4,650,355	4,377,154	3,954,382	3,690,817	3,371,343
Total pension liability - ending (a)	<u>\$ 4,853,485</u>	<u>\$ 4,617,493</u>	<u>\$ 4,650,355</u>	<u>\$ 4,377,154</u>	<u>\$ 3,954,382</u>	<u>\$ 3,690,817</u>
Total Fiduciary Net Position						
Contributions - employer	\$ 203,301	\$ 215,652	\$ 183,199	\$ 170,839	\$ 168,741	\$ 211,844
Contributions - employee	6,855	6,587	6,093	5,544	5,784	5,525
Contributions - employee picked up by employer	34,275	32,934	30,465	26,654	27,922	26,674
Net investment income	215,415	260,044	352,649	384,891	(77,433)	289,838
Benefit payments, including refunds of contributions	(288,921)	(499,920)	(186,296)	(195,249)	(148,844)	(170,730)
Administrative expense	(32,378)	(49,254)	(39,291)	(50,014)	(45,090)	(34,257)
Net change in plan fiduciary net position	<u>138,547</u>	<u>(33,957)</u>	<u>346,819</u>	<u>342,665</u>	<u>(68,920)</u>	<u>328,894</u>
Plan fiduciary net position - beginning	4,331,318	4,365,275	4,018,456	3,675,791	3,744,711	3,415,817
Plan fiduciary net position - ending (b)	<u>\$ 4,469,865</u>	<u>\$ 4,331,318</u>	<u>\$ 4,365,275</u>	<u>\$ 4,018,456</u>	<u>\$ 3,675,791</u>	<u>\$ 3,744,711</u>
Net pension liability - ending (a) - (b)	<u>\$ 383,620</u>	<u>\$ 286,175</u>	<u>\$ 285,080</u>	<u>\$ 358,698</u>	<u>\$ 278,591</u>	<u>\$ (53,894)</u>
Plan fiduciary net position as a percentage of the total pension liability	92.10%	93.80%	93.87%	91.81%	92.95%	101.46%
Covered payroll	\$ 685,497	\$ 658,688	\$ 609,302	\$ 533,076	\$ 558,435	\$ 530,286
Net pension liability as a percentage of covered payroll	55.96%	43.45%	46.79%	67.29%	49.89%	-10.16%

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

CITY OF STARKE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIRE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Measurement Date September 30, Reporting Date September 30,	<u>2019</u> <u>2020</u>	<u>2018</u> <u>2019</u>	<u>2017</u> <u>2018</u>	<u>2016</u> <u>2017</u>	<u>2015</u> <u>2016</u>	<u>2014</u> <u>2015</u>
Total Pension Liability						
Service cost	\$ 84,734	\$ 79,325	\$ 69,461	\$ 63,717	\$ 83,956	\$ 83,807
Interest	337,300	335,636	305,434	289,172	262,020	269,498
Difference between actual and expected experience	(6,284)	187,675	74,382	183,386	(164,041)	(90,269)
Benefit payments including refunds of contributions	(355,281)	(155,053)	(134,757)	(378,840)	(83,962)	(86,580)
Assumption changes	-	-	(14,589)	18,331	-	-
Net change in total pension liability	<u>60,469</u>	<u>447,583</u>	<u>299,931</u>	<u>175,766</u>	<u>97,973</u>	<u>176,456</u>
Total pension liability - beginning	4,661,902	4,214,319	3,914,388	3,738,622	3,640,649	3,464,193
Total pension liability - ending (a)	<u>\$ 4,722,371</u>	<u>\$ 4,661,902</u>	<u>\$ 4,214,319</u>	<u>\$ 3,914,388</u>	<u>\$ 3,738,622</u>	<u>\$ 3,640,649</u>
Total Fiduciary Net Position						
Contributions - employer	\$ 203,630	\$ 191,176	\$ 180,222	\$ 171,238	\$ 173,181	\$ 216,595
Contributions - employee	23,770	20,603	19,087	16,789	18,678	19,703
Contributions - employee picked up by employer	21,548	18,457	16,838	14,170	15,447	16,376
Net investment income	127,498	403,164	416,423	334,500	(194,473)	306,638
Benefit payments, including refunds of contributions	(355,281)	(155,053)	(134,757)	(378,840)	(83,962)	(86,580)
Administrative expense	(33,342)	(49,917)	(19,937)	(39,371)	(41,841)	(29,676)
Net change in plan fiduciary net position	<u>(12,177)</u>	<u>428,430</u>	<u>477,876</u>	<u>118,486</u>	<u>(112,970)</u>	<u>443,056</u>
Plan fiduciary net position - beginning	3,879,774	3,451,344	2,973,468	2,854,982	2,967,952	2,524,896
Plan fiduciary net position - ending (b)	<u>\$ 3,867,597</u>	<u>\$ 3,879,774</u>	<u>\$ 3,451,344</u>	<u>\$ 2,973,468</u>	<u>\$ 2,854,982</u>	<u>\$ 2,967,952</u>
Net pension liability - ending (a) - (b)	<u>\$ 854,774</u>	<u>\$ 782,128</u>	<u>\$ 762,975</u>	<u>\$ 940,920</u>	<u>\$ 883,640</u>	<u>\$ 672,697</u>
Plan fiduciary net position as a percentage of the total pension liability	81.90%	83.22%	81.90%	75.96%	76.36%	81.52%
Covered payroll	\$ 468,003	\$ 404,909	\$ 374,243	\$ 327,059	\$ 362,802	\$ 382,968
Net pension liability as a percentage of covered payroll	182.64%	193.16%	203.87%	287.69%	243.56%	175.65%

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

**CITY OF STARKE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2020
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 439,798	\$ 668,747	(228,949)	\$ 1,577,549	42.39%
2019	474,388	676,062	(201,674)	1,417,282	47.70%
2018	485,783	601,642	(115,859)	1,173,969	51.25%
2017	481,994	533,934	(51,940)	1,090,634	48.96%
2016	434,152	434,152	-	996,866	43.55%
2015	494,285	511,983	(17,698)	936,706	54.66%
2014	525,384	725,572	(200,188)	874,183	83.00%
2013	439,741	600,186	(160,445)	852,072	70.44%
2012	562,739	562,739	-	1,015,328	55.42%
2011	641,013	643,009	(1,996)	1,420,171	45.28%

Notes to Schedule:

Valuation Date: 10/1/2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level % of Pay, Closed
Amortization Period:	30 years
Asset Valuation Method:	4-year smoothed market
Inflation:	2.50%
Salary Increases:	3.25-4.00%, including inflation
Investment Rate of Return:	7.50%, net of pension plan investment expense including inflation
Payroll Growth:	5.00%
Mortality:	RP-2000 Combined Mortality Tables using Scale BB
Retirement Age:	If hired prior to October 1, 2012, age 60 and 10 yrs of service (8 yrs for elected officials) or 30 years of service. If hired after October 1, 2012, age 65 and 10 years of service.
Early Retirement:	If hired prior to October 1, 2012, 25 years of service. If hired after October 1, 2012, 30 years of service.

CITY OF STARKE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 193,175	\$ 192,906	269	\$ 629,846	30.63%
2019	203,146	203,301	(155)	685,497	29.66%
2018	215,652	215,652	-	658,688	32.74%
2017	183,199	183,199	-	609,302	30.07%
2016	170,839	170,839	-	533,076	32.05%
2015	168,741	168,741	-	558,435	30.22%
2014	162,286	211,844	(49,558)	530,286	39.95%
2013	165,835	169,837	(4,002)	571,086	29.74%
2012	180,374	188,261	(7,887)	548,492	34.32%
2011	145,325	145,365	(40)	597,067	24.35%

Notes to Schedule:

Valuation Date: 10/1/2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level % of Pay, Closed
Amortization Period:	20 years
Asset Valuation Method:	4-year smoothed market
Inflation:	2.50%
Salary Increases:	4.00-5.00%, including inflation
Investment Rate of Return:	7.25%, net of pension plan investment expense including inflation
Payroll Growth:	5.00%
Mortality:	RP-2000 Combined Mortality Tables using Scale BB
Retirement Age:	Age 55 and 10 yrs of service, or 25 yrs of service
Early Retirement:	Age 50 and 10 yrs of service

CITY OF STARKE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 240,953	\$ 240,755	198	\$ 545,328	44.15%
2019	203,606	203,630	(24)	468,003	43.51%
2018	191,176	191,176	-	404,909	47.21%
2017	180,222	180,222	-	374,243	48.16%
2016	134,684	171,238	(36,554)	327,059	52.36%
2015	163,445	173,181	(9,736)	362,802	47.73%
2014	173,612	216,595	(42,983)	382,968	56.56%
2013	202,879	202,879	-	375,673	54.00%
2012	162,170	162,170	-	375,911	43.14%
2011	187,015	187,015	-	445,263	42.00%

Notes to Schedule:

Valuation Date: 10/1/2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level % of Pay, Closed
Amortization Period:	30 years
Asset Valuation Method:	4-year smoothed market
Inflation:	2.50%
Salary Increases:	3.50-5.00%, including inflation
Investment Rate of Return:	7.50%, net of pension plan investment expense including inflation
Payroll Growth:	5.00%
Mortality:	RP-2000 Combined Mortality Tables using Scale BB
Retirement Age:	Age 55 and 10 yrs of service, or 25 yrs of service
Early Retirement:	Age 50 and 10 yrs of service

**CITY OF STARKE, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 SEPTEMBER 30, 2020**

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

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

**CITY OF STARKE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal Agency Pass Through Entity Federal Program	CFDA Number	Contract/Grant Number	Expenditures
Federal Awards			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Florida Department of Economic Opportunity Community Development Block Grants/State's Program - Natural Revitalization (Sewer Rehab)	14.228	18DB-OM-03-14-02-N-09	\$ 625,182
Total U.S. Department of Housing and Urban Development			<u>625,182</u>
<u>U.S. Department of Justice</u>			
Direct			
Bulletproof Vest Partnership Program	16.607	2019BUBX19097397	4,050
Public Safety Partnership and Community Policing Grants	16.710	2017UMWX0140	49,621
Pass-Through from Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant	16.738	2020-JAG-BDRAD1Y6060	<u>5,756</u> 59,427
Pass-Through from Florida Attorney General Crime Victim Assistance - Victims Advocate	16.575	VOCA-2019-SPD-00219	25,539
Total U.S. Department of Justice			<u>84,966</u>
<u>U.S. Department of Energy</u>			
Direct:			
Edwards Road & Thomas Street Park Lighting Retrofit	81.041	025809 / FDACS-02017	77,090
Total U.S. Department of Energy			<u>77,090</u>
Total Federal Awards			<u>\$ 787,238</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

CITY OF STARKE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Starke, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

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

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(3) **De Minimis Indirect Cost Rate Election:**

The City did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

(4) **Subrecipients:**

The City did not pass any monies recognized on the schedule of expenditures of federal awards to subrecipients.

(5) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all Project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

**CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes none reported

Auditee qualified as a low-risk auditee? yes no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of major Federal programs:

CFDA Number	Project Name
14.228	CDBG Natural Revitalization (Sewer Rehab)

B. Financial Statement Findings:

2020-001 Reconciliation of Account Balances and Audit Adjustments (previously 2019-001)

Criteria: Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities. These reconciliations should be performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues.

**CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)**

Condition: All balances should be reconciled to supporting documentation and reconciled with the general ledger.

Cause: For the year ended September 30, 2020, many accounts were not reconciled on a timely basis and certain adjustments were required to be made to the accounting records subsequent to the start of the audit process related to year-end accrual entries. We noted this to be largely due to significant personnel turnover during and subsequent to year-end.

Effect: Financial statements would be materially misstated if significant adjustments were not made. Errors or improper activity may not be detected and corrected on a timely basis if reconciliations are not performed timely.

Recommendation: We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles. Reconciliations should be performed on a timely and regular basis and include procedures related to the proper cutoff of significant revenue and expense activities.

2020-002 Journal Entry Review (previously 2019-002)

Criteria: Internal controls over financial reporting should include processes that require journal entries made to the accounting system of sub-ledgers be reviewed and approved by an individual other than the individual responsible for preparing the journal entry.

Condition: There was no evidence of review and approval of journal entries in accordance with the City's documented procedures.

Cause: Various personnel changes took place and internal control policies, procedures, and/or best practices were not followed.

Effect: Improper journal entry activity, whether due to error or fraud, may not be detected and corrected on a timely basis.

Recommendation: We recommend the City implement processes to perform and document a formal review of all manual journal entries to guard against unauthorized journal entries being posted.

2020-003 IT Administrator Access, Reviews, and Passwords (previously 2019-003)

Criteria: The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data.

Condition: Various areas for improvement were identified during our analysis of the City's IT environment.

**CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)**

Cause: During our testing of network and application access we noted users with inappropriate access to enter journal entries in the City's accounting software. Additionally, we noted a formal review of user access over the network and application was not being performed. We also noted the network password settings do not currently enforce password complexity or account lockout. We also noted the process to install MUNIS updates is not currently being documented.

Effect: The exploitation of these deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting.

Recommendation: We recommend performing a documented review of user access at least annually to verify user access is appropriately restricted. This review should either be performed by someone who does not have an administrator role or a dual review is performed. We also recommend enforcing password complexity and account lockout settings. We also recommend documenting the MUNIS updates when they're installed to verify the correct processes are followed.

2020-004 Payroll Access and Documentation (previously 2019-004)

Criteria: The City's IT environment and manual controls play key roles in the payroll process, and safeguards should be in place to protect the integrity and security of the payroll process.

Condition: During our testing of payroll controls we noted the following:

- The payroll accountant has access to enter and change pay rates and there is currently no process in place to review and approve those changes.
- The payroll accountant is a "Master User" in the accounting system, which allows a user to change vacation/sick leave amounts in MUNIS.
- The payroll accountant has access to blank check stocks and stamps used to sign checks.
- There are currently no personnel action forms (PAFs) maintained that agrees to the current pay rates.

Cause: Appropriate payroll controls, including application controls, have either not been implemented or followed by City staff due to personnel changes in the City.

Effect: Improper payroll activity, whether due to error or fraud, may not be detected and corrected on a timely basis.

Recommendation: We recommend the payroll accountant not have access to change pay rates and "Master User" access in the accounting system. Once the pay rates are entered into MUNIS, another individual should review and approve them to ensure they were input correctly and appropriately. We also recommend that the payroll accountant not have access to both the accounting system, checks, and check stamps to improve segregation of duties. Additionally, we recommend management perform a periodic documented review of user accounts ensure access is appropriately restricted to only authorized employees. Finally, we recommend personnel action forms be updated and approved each year to have the current approved pay rates documented on file.

**CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)**

2020-005 Utility Billing Review (previously 2019-005)

Criteria: Internal controls over utility billing should include appropriate segregation of duties as well as monitoring controls to verify rates are entered correctly and billing write-offs are appropriate.

Condition: In our testing of utility billing controls, we noted the Utility Clerk enters the rates without further review. We also noted the Utility Clerk completes write offs without a formal approval process being documented.

Cause: The City does not have a process to monitor and review changes to rates or utility billing write-offs.

Effect: Improper utility billing activity, whether due to error or fraud, may not be detected on a timely basis.

Recommendation: We recommend someone other than the Utility Clerk input the rates or that further review is completed by a separate appropriate individual to verify that utility rates are input properly. We also recommend a formal approval process for write offs be established to guard against improper utility write offs being completed.

2020-006 Utility Billing Charges (previously 2019-006)

Criteria: Utility billing rates should be entered and reviewed to verify that the appropriate rates are charged to customers. Additionally, the City should perform a recalculation of rates to verify that rates agree to the current approved rate structure.

Condition: In our testing of utility billing controls, we noted two bills which did not recalculate correctly based on current rates. These customers were set up before 2000 and are not set up correctly based on the current utility billing rates and procedures.

Cause: The City did not update the utility billing rates for customers set up before 2000 and are not performing a recalculation to verify rates are in compliance with the current approved rate structure.

Effect: Improper utility billing activity, whether due to error or fraud, may not be detected on a timely basis.

Recommendation: We recommend management perform additional review of customer accounts to verify that long-term utility customers have their billing rates set up correctly in MUNIS and to verify that utility charges are accurate.

2020-007 Accounting Policies and Procedures (previously 2019-007)

Criteria: Internal controls over financial reporting should include well-defined accounting policies and procedures to ensure that reconciliation policies and procedures are followed consistently and continuously.

CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)

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

Cause: Various personnel changes took place and internal control policies, procedures, and/or best practices were not followed.

Effect: Inconsistent and infrequent general ledger reconciliations are performed resulting in financial statement balances that are not correct.

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

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

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

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

Criteria: Internal controls over financial reporting should include preparation of the schedule of expenditures of federal awards and state financial assistance (SEFA) to identify the scope of audit procedures under Uniform Guidance and, potentially, the Florida Single Audit Act.

Condition: Errors were found in the City's preparation of the SEFA provided for audit. Upon testing for completeness and accuracy of the SEFA, it was noted the City had grant amounts that were improperly excluded from the SEFA, necessitating revision. Part 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), Subpart F – Audit Requirements Section .510(b) describes the criteria and requirements for preparing the SEFA. Section 200.502 establishes the basis for determining Federal awards expended.

Cause: There were ineffective controls related to the review of the SEFA. City staff with responsibility for preparing the SEFA should familiarize themselves with the Uniform Guidance and Florida State Single Audit Act.

Effect: Preparation of an incomplete and/or inaccurate SEFA can result in errors in identifying the scope of audit procedures under Uniform Guidance and, potentially, the Florida Single Audit Act, including but not limited to the incorrect identification of major programs or projects for audit.

**CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(CONTINUED)**

Recommendation: We recommend the City include a secondary review of the SEFA prior to providing the schedule to the auditors. We also suggest that preparation of the SEFA include the review of contracts to ensure that awards have been correctly identified on the schedule.

2020-009 Proper Authorization of Disbursements

Criteria: Internal controls over cash disbursements are documented to ensure that there are appropriate review and approval prior to the disbursement. These processes should be followed to ensure the effectiveness of internal control.

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

Cause: Various personnel changes took place and internal control policies, procedures, and/or best practices were not followed.

Effect: Improper cash disbursement activity, whether due to error or fraud, may not be detected on a timely basis.

Recommendation: We recommend either following the disbursement policy fully or amending the disbursement policy if necessary.

2020-010 Inventory Balances

Criteria: Inventory counts should be performed at least annually and those counts should be reconciled to the general ledger.

Condition: Physical count of inventory is performed at year end; however, inventory balance per general ledger did not agree to the physical count worksheets. Additionally, the general ledger balance did not agree to a separate Munis report and the physical count worksheets.

Cause: Various personnel changes took place and internal control policies, procedures, and/or best practices were not followed.

Effect: Inventory balances that are not reconciled to year end counts could result in inventory balances that are not accurate.

Recommendation: We recommend establishing procedures to ensure Munis inventory reports and the general ledger are updated to reflect physical count amounts.

- C. Federal Program Findings and Questioned Costs:** See comment 2020-008 Preparation of Schedule of Expenditures of Federal Awards above.
- D. Summary Schedule of Prior Audit Findings:** See schedule of prior audit findings as listed in the table of contents.
- E. Corrective Action Plan:** See Auditee's Response to findings as listed in the table of contents.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Starke, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-008. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying management's response as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-008, that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying management's response as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, prominent initial "J".

Gainesville, Florida
September 13, 2021

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Starke, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 13, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2020-001 through 2020-010 that we consider to be material weaknesses.

Compliance and Other Matters

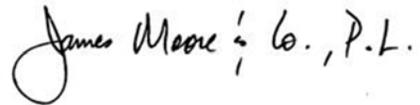
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Starke, Florida's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
September 13, 2021

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

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

Report on the Financial Statements

We have audited the basic financial statements of City of Starke, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated September 13, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in accordance with the Uniform Guidance; Schedule of Findings and Questioned Costs, and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated September 13, 2021, 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. No repeat findings exist from the second preceding audit. The following is a summary of prior year recommendations:

2019-001 Reconciliation of Account Balances and Audit Adjustments—Corrective action not taken.

2019-002 Journal Entry Review—Corrective action not taken.

2019-003 IT Administrator Access, Reviews, and Passwords—Corrective action not taken.

2019-004 Payroll Access and Documentation—Corrective action not taken.

2019-005 Utility Billing Review—Corrective action not taken.

2019-006 Utility Billing Charges—Corrective action not taken.

2019-007 Accounting Policies and Procedures—Corrective action not taken.

2019-008 Fund Balance Policy—Corrective action not taken.

2019-009 Capital Assets Review—Corrective action not taken.

2019-010 Capital Assets Capitalization—Corrective action not taken.

2019-011 Pooled Cash—Corrective action not taken.

2019-012 CRA Fund—Corrective action not taken.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

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

2020-012 Capital Assets Review (previously 2019-009): In our testing of fixed assets, we noted the we noted numerous old assets that were fully depreciated. We recommend reviewing these schedules and cleaning up any old assets that are no longer in service at the City.

2020-013 Capital Assets Capitalization (previously 2019-010): We noted the City has a capitalization policy of \$3,000. We also noted one asset was capitalized in the current year for less than the \$3k capitalization policy. We recommend properly following this policy and expensing any additions below this amount. We also recommend increasing the capitalization policy to \$5,000.

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

2020-015 CRA Fund (previously 2019-012): In our testing of the CRA fund, we noted that there is very minimal activity in this fund. We recommend evaluating the continued usefulness of having a separate CRA fund.

2020-016 Bonding Requirements: We noted the City's currently has a bonding policy was last updated in 1960. We recommend the City review and evaluate the current policy to verify it's in line with the current environment.

Additional Matters

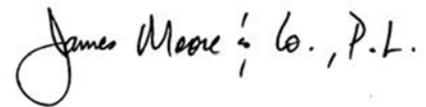
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

City of Starke, Florida's Response to Findings

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

Purpose of this Letter

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
September 13, 2021

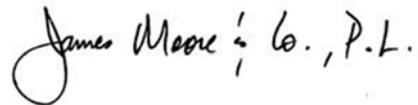
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the City of Starke, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Starke, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.



Gainesville, Florida
September 13, 2021

**CITY OF STARKE, FLORIDA
MANAGEMENT'S RESPONSE
SEPTEMBER 30, 2020**

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

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

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

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

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

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

4. 2020-004 Payroll Access & Documentation (previously 2019-004)

Agree: Management adopted financial policy by resolution 2021-46 on May 18, 2021. Policies being administered by the City Clerk who serves as the City Treasurer. Anticipated remediation date is February 2022. Individual responsible is the City Clerk/Treasurer as per City Charter.

5. 2020-005 Utility Billing Review (previously 2019-005)

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

6. 2020-006 Utility Billing Charges (previously 2019-006)

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

7. 2020-007 Accounting Policy & Procedures (previously 2019-007)

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

8. 2020-008 CFDA 14.228 - Community Development Block Grants Program - Natural Revitalization (Sewer Rehab): Preparation of Schedule of Expenditures of Federal Awards

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

9. 2020-009 Proper Authorization of Disbursements

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

**CITY OF STARKE, FLORIDA
MANAGEMENT'S RESPONSE
SEPTEMBER 30, 2020**

10. 2020-010 Inventory Balances

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

11. 2020-011 Fund Balance Policy (previously 2019-008)

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

12. 2020-012 Capital Assets Review (previously 2019-009)

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

13. 2020-013 Capital Assets Capitalization (previously 2019-010)

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

14. 2020-014 Pooled Cash (previously 2019-010)

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

15. 2020-015 CRA Fund (previously 2019-011)

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

16. 2020-016 Bonding Requirements

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

City of Starke, Florida
Fiscal Year 2019-2020

Impact Fee Affidavit

State of Florida
County of Bradford

Before me, the undersigned authority, personal appeared Ricky Thompson, who being duly sworn, deposes and says on oath that:

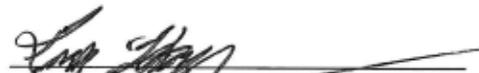
1. I am the Chief Financial Officer of the City of Starke which is a local government entity of the State of Florida;
2. The governing body of the City of Starke adopted the following ordinances implementing certain impact fees

Ordinance 2007-506	Road Impact Fees
Ordinance 2007-507	Fire Protection and Rescue Impact Fees
Ordinance 2007-508	Police Protection Impact Fees
Ordinance 2007-509	Parks and Recreation Impact Fees
Ordinance 2007-510	Public Building Improvement Impact Fees;

and

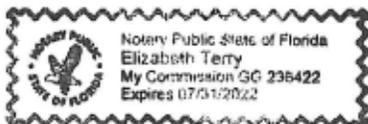
3. The City of Starke has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

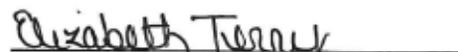
Further Affiant Sayeth Naught.


Ricky Thompson, City Clerk

State of Florida
Bradford County

Sworn to and subscribed before me by means of physical presence this 20th day of August, 2021
By Ricky Thompson, who is personally known to me.




Notary Public
Print Name Elizabeth Terry
My Commissioner Expires: 7-31-2022