

CITY OF STARKE, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022



CITY COMMISSION

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

CITY MANAGER

Russell Mullins

CITY CLERK

Jimmy Crosby

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Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200
Fax 386.719.5504

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission
City of Starke, Florida

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City, Florida's basic financial statements as listed in the table of contents.

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, 2022, 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.

We did not audit the financial statements of the Police Officers' Pension Trust Fund and the Firefighters' Pension Trust Fund, which represent 47, 47, 50, and 37 percent, respectively, of the assets, net position, additions, and deductions of the Fiduciary Pension Trust Funds as of September 30, 2022. Those statements were audited by other auditors whose reports have been furnished to us, and our Opinions, insofar as they relate to the amounts included for the Police Officers' Pension Trust Fund and the Firefighters' Pension Trust Fund, are based solely on the reports of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Adoption of New Accounting Pronouncement

As discussed in Note 13, effective October 1, 2021, the City has adopted the provisions contained in Statement of Governmental Accounting Standards ("SGAS") No. 87, Leases. Our opinions are not modified with respect to that matter.

Emphasis of Matter – Prior Period Restatements

The City restated multiple prior year balance sheet accounts to update balances to reconciled figures. This restatement is further discussed in Note 14. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Starke, Florida's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information includes Management's response to Findings and other items as identified in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

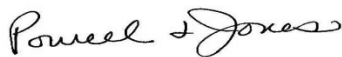
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2023, 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 findings as described in the Schedule of Findings and Questioned Costs, 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.

Other Reporting and Letters Required by Chapter 10.550, *Rules of the Auditor General*

In accordance with Chapter 10.550, *Rules of the Auditor General*, we have issued our report dated October 23, 2023 on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of this report is to describe the scope of our examination and the issuance of an opinion on the City's compliance with requirements of Section 218.415, Florida Statutes.

In accordance with Chapter 10.550, *Rules of the Auditor General*, we have issued our management letter dated October 23, 2023. The purpose of this letter is to present our audit comments and recommendations which are further described in our Schedule of Findings and Questioned Costs.



POWELL AND JONES, CPA'S
Lake City, Florida
October 23, 2023

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 and deferred outflows of the City of Starke exceeded its liabilities and deferred inflows on September 30, 2022, by \$33,316,883 (net position) for an increase of 11% over the prior year. Of this amount \$7,977,715 (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 \$3,314,962 in fiscal year 2022, compared to an increase in net position of \$1,677,820 in fiscal year 2021. The year over year increase in profitability of \$1,637,142 is attributed primarily to better budgeting and fiscal responsibility by the City.
- As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$3,536,084. This combined fund balance amount decreased by \$209,849 from the prior year. Approximately 12% of total fund balance, \$407,697, 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 \$157,391 (10 percent) during the current fiscal year. This decrease was due to the City's repayment of outstanding loans and notes payable in the current year. No additional debt was issued.

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.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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.

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 all the activities of 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

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

governmental activities. The City maintains two (2) major 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 two funds. The City adopts an annual appropriated budget for its General Fund and Transportation Trust Fund. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one (1) proprietary fund. The Utility System Revenue Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses this enterprise fund to account for its electric, water, sewer, garbage, and gas utility system. Historically, the activities of the different utility services have been accounted for in this one proprietary fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City.

Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary activity is the defined benefit retirement plans 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 other information section 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.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 \$33,316,883, an increase of \$3,314,962 over the prior year. See Note 14 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	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 5,251,569	\$ 4,136,232	\$ 9,736,127	\$ 23,664,607	\$ 14,987,696	\$ 27,800,839
Capital assets	4,023,038	3,556,624	21,750,091	6,671,693	25,773,129	10,228,317
Total assets	9,274,607	7,692,856	31,486,218	30,336,300	40,760,825	38,029,156
Deferred outflows of resources	1,690,055	1,307,028	965,275	564,784	2,655,330	1,871,812
Liabilities:						
Current liabilities	1,872,895	537,806	1,734,692	2,733,058	3,607,587	3,270,864
Noncurrent liabilities	1,703,784	2,348,304	2,032,503	2,407,837	3,736,287	4,756,141
Total Liabilities	3,576,679	2,886,110	3,767,195	5,140,895	7,343,874	8,027,005
Deferred inflows of resources	1,639,355	1,096,787	1,116,043	775,255	2,755,398	1,872,042
Net position:						
Net investment in capital assets	3,656,477	3,125,818	20,715,257	21,054,388	24,371,734	24,180,206
Restricted	920,492	753,747	46,942	44,822	967,434	798,569
Unrestricted	1,171,659	1,137,422	6,806,056	3,885,724	7,977,715	5,023,146
Total net position	<u>\$ 5,748,628</u>	<u>\$ 5,016,987</u>	<u>\$ 27,568,255</u>	<u>\$ 24,984,934</u>	<u>\$ 33,316,883</u>	<u>\$ 30,001,921</u>

Approximately 73% 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, 2022 and 2021, 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 \$967,434 as of September 30, 2022, an increase of \$168,865 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 2022.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ 241,683	\$ 269,141	\$ 13,883,344	\$ 11,912,329	\$ 14,125,027	\$ 12,181,470
Operating grants and contributions	183,018	627,753	400,500	61,524	583,518	689,277
Capital grants and contributions	705,462	355,693	875,000	1,073,698	1,580,462	1,429,391
General revenues					-	-
Property taxes	1,100,347	1,077,523	-	-	1,100,347	1,077,523
Other taxes	2,428,690	2,252,676	-	-	2,428,690	2,252,676
Other	514,786	289,402	104,864	78,292	619,650	367,694
Total Revenues	<u>5,173,986</u>	<u>4,872,188</u>	<u>15,263,708</u>	<u>13,125,843</u>	<u>20,437,694</u>	<u>17,998,031</u>
Expenses						
General government	860,070	1,037,101	-	-	860,070	1,037,101
Public safety	3,530,903	3,619,942	-	-	3,530,903	3,619,942
Transportation	294,271	268,182	-	-	294,271	268,182
Culture and recreation	359,306	332,977	-	-	359,306	332,977
Public utilities	-	-	12,078,182	11,062,009	12,078,182	11,062,009
Total expenses	<u>5,044,550</u>	<u>5,258,202</u>	<u>12,078,182</u>	<u>11,062,009</u>	<u>17,122,732</u>	<u>16,320,211</u>
Transfers	602,205	809,802	(602,205)	(809,802)	-	-
Change in net position	731,641	423,788	2,583,321	1,254,032	3,314,962	1,677,820
Net position, beginning of year	5,016,987	4,593,199	24,984,934	23,730,902	30,001,921	28,324,101
Net position end of year	<u>\$ 5,748,628</u>	<u>\$ 5,016,987</u>	<u>\$ 27,568,255</u>	<u>\$ 24,984,934</u>	<u>\$ 33,316,883</u>	<u>\$ 30,001,921</u>

Governmental activities

Governmental activities increased the City's net position by \$731,641. This increase includes a transfer in from the Utility System Revenue Enterprise Fund for \$602,205. Excluding transfers Governmental activities increased the City's net position by \$1,493,082. The City's governmental revenues increased by \$301,798 compared to the prior fiscal year primarily due to capital grants and better budgetary control.

Business-type activities

Business-type activities increased the City's net position by \$2,583,321. This increase includes a transfer out to the Governmental activities of \$602,205. Excluding transfers, Business-type Activities increased the City's net position by \$3,185,526. The City's Business-type revenues increased by \$2,137,865 compared to the prior fiscal year primarily due to increases in rates and usage.

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.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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. Unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$3,536,084, a decrease of \$209,849 in comparison with the prior fiscal year. Approximately 12% of this total amount, \$407,697, constitutes unassigned fund balances, which are available for spending at the City's discretion. The remainder of the fund balance, \$3,128,387, 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, 2022, the unassigned fund balance of the General Fund was \$407,697 the restricted total fund balance was \$137,035, the assigned fund balance was \$353,252. Total fund balance in the General Fund decreased by \$396,045 over the prior year. General fund expenditures exceeded revenues by \$1,074,733, this was partially offset by a transfer in from the Utility System Revenue Enterprise Fund for \$602,205, which related to overhead charges stemming from the General Fund's administrative support to the Utility System Revenue Fund and capital grants which totaled 76,483.

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 \$186,196 during the current fiscal year. The Transportation Trust's restricted and committed fund balances at September 30, 2022, were \$783,457 and \$1,854,643, respectively.

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 System Revenue Enterprise Fund at September 30, 2022, amounted to \$6,806,056.

General Fund and Transportation Trust Fund Budgetary Highlights

Both the General Fund and the Transportation Trust Fund completed Fiscal Year 2022 under budget for expenditures by \$446,987 and \$41,540 respectively.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$25,773,129 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure improvements since October 1, 2003, vehicles, and equipment.

**CITY OF STARKE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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 \$334,497, and sold, traded, or got rid of \$175,205. Of the amount purchased, \$133,997 related to governmental activities, and \$200,500 for business-type activities to be used in utility operations.
- The City incurred construction, building and improvement, and infrastructure costs totaling \$1,188,827 on active projects in fiscal year 2022, consisting of \$626,850 relating to governmental activities and \$501,977 relating to business-type activities. Capital assets for governmental activities and business-type activities consisted of the following as of September 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
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	-	668,402	5,232,902	5,066,777	5,232,902	5,735,179
Capital assets being depreciated:						
Infrastructure	11,185,497	9,830,245	35,043,838	34,707,986	46,229,335	44,538,231
Land improvements	-	10,048	-	-	-	10,048
Buildings and improvements	3,040,250	3,046,450	1,434,172	1,434,172	4,474,422	4,480,622
Machinery and equipment	2,389,033	2,430,241	6,661,156	6,460,656	9,050,189	8,890,897
Less: Accumulated depreciation	(12,770,202)	(12,607,222)	(28,211,375)	(27,084,498)	(40,981,577)	(39,691,720)
	\$ 4,023,038	\$ 3,556,624	\$ 21,750,091	\$ 22,174,491	\$ 25,773,129	\$ 25,731,115

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

Long-term debt

At the end of the current fiscal year, the City had a total long-term liabilities of \$4,059,975, which consisted of \$1,857,394 and \$2,202,581 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	
	2022	2021	2022	2021	2022	2021
Compensated absences	\$ 175,538	\$ 163,119	\$ 103,807	\$ 101,175	\$ 279,345	\$ 264,294
Notes payable	362,761	430,806	1,030,757	1,120,103	1,393,518	1,550,909
Total OPEB liability	913,970	696,672	286,888	247,423	1,200,858	944,095
Net pension liability	405,125	1,198,477	781,129	1,116,698	1,186,254	2,315,175
	\$ 1,857,394	\$ 2,489,074	\$ 2,202,581	\$ 2,585,399	\$ 4,059,975	\$ 5,074,473

BASIC FINANCIAL STATEMENTS

**CITY OF STARKE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,826,008	\$ 6,301,173	\$ 11,127,181
Investments	-	1,000	1,000
Accounts receivable, net	10,698	2,629,297	2,639,995
Internal balances	(25,805)	25,805	-
Due from pension trust funds	26,555	2,087	28,642
Due from other governments	414,113	-	414,113
Inventories	-	724,744	724,744
Prepaid items	-	5,079	5,079
Restricted assets:			
Cash and cash equivalents	-	46,942	46,942
Total current assets	<u>5,251,569</u>	<u>9,736,127</u>	<u>14,987,696</u>
Noncurrent assets:			
Capital assets:			
Capital assets, not being depreciated	178,460	6,822,300	7,000,760
Capital assets, being depreciated, net	3,844,578	14,927,791	18,772,369
Total noncurrent assets	<u>4,023,038</u>	<u>21,750,091</u>	<u>25,773,129</u>
Total assets	<u>9,274,607</u>	<u>31,486,218</u>	<u>40,760,825</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,312,446	872,635	2,185,081
Related to OPEB	377,609	92,640	470,249
Total deferred outflows of resources	<u>1,690,055</u>	<u>965,275</u>	<u>2,655,330</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	188,345	391,632	579,977
Customer deposits	-	1,168,905	1,168,905
Unearned revenue	1,406,817	-	1,406,817
Due to pension trust funds	120,323	-	120,323
Accrued interest payable	3,800	4,077	7,877
Notes payable, current portion	70,610	112,078	182,688
Compensated absences, current portion	83,000	58,000	141,000
Total current liabilities	<u>1,872,895</u>	<u>1,734,692</u>	<u>3,607,587</u>
Noncurrent liabilities:			
Notes payable, noncurrent portion	292,151	918,679	1,210,830
Compensated absences, noncurrent portion	92,538	45,807	138,345
Net OPEB liability	913,970	286,888	1,200,858
Net pension liability	405,125	781,129	1,186,254
Total noncurrent liabilities	<u>1,703,784</u>	<u>2,032,503</u>	<u>3,736,287</u>
Total liabilities	<u>3,576,679</u>	<u>3,767,195</u>	<u>7,343,874</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	1,430,371	1,050,444	2,480,815
Related to OPEB	208,984	65,599	274,583
Total deferred inflows of resources	<u>1,639,355</u>	<u>1,116,043</u>	<u>2,755,398</u>
NET POSITION			
Net investment in capital assets	3,656,477	20,715,257	24,371,734
Restricted for:			
Public safety	52,695	-	52,695
Building department	84,340	-	84,340
Transportation	783,457	-	783,457
Debt service	-	46,942	46,942
Unrestricted	1,171,659	6,806,056	7,977,715
Total net position	<u>\$ 5,748,628</u>	<u>\$ 27,568,255</u>	<u>\$ 33,316,883</u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Function/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	\$ 860,070	\$ 177,697	\$ 11,233	\$ 76,483	\$ (594,657)	\$ -	\$ (594,657)
Public safety	3,530,903	63,986	171,785	-	(3,295,132)	-	(3,295,132)
Transportation	294,271	-	-	628,979	334,708	-	334,708
Culture and recreation	359,306	-	-	-	(359,306)	-	(359,306)
Total governmental activities	5,044,550	241,683	183,018	705,462	(3,914,387)	-	(3,914,387)
Business-type activities:							
Electric	8,883,635	10,074,520	400,500	-	-	1,591,385	1,591,385
Water	730,322	1,053,151	-	233,459	-	556,288	556,288
Sewer	1,741,768	2,064,555	-	641,541	-	964,328	964,328
Gas	722,457	691,118	-	-	-	(31,339)	(31,339)
Total business-type activities	12,078,182	13,883,344	400,500	875,000	-	3,080,662	3,080,662
Total government	\$ 17,122,732	\$ 14,125,027	\$ 583,518	\$ 1,580,462	(3,914,387)	3,080,662	(833,725)
General Revenues							
					1,100,347	-	1,100,347
					1,658,343	-	1,658,343
					159,687	-	159,687
					610,660	-	610,660
					370,941	-	370,941
					9,968	6,244	16,212
					133,877	98,620	232,497
					602,205	(602,205)	-
					<u>4,646,028</u>	<u>(497,341)</u>	<u>4,148,687</u>
					731,641	2,583,321	3,314,962
					5,016,987	24,984,934	30,001,921
					<u>\$ 5,748,628</u>	<u>\$ 27,568,255</u>	<u>\$ 33,316,883</u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	General Fund	Transportation Trust Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,229,771	\$ 2,596,237	\$ 4,826,008
Receivables, net	10,698	-	10,698
Due from other governments	352,412	61,701	414,113
Due from other funds	270,372	2,056	272,428
Total assets	<u>\$ 2,863,253</u>	<u>\$ 2,659,994</u>	<u>\$ 5,523,247</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 179,683	\$ 8,662	\$ 188,345
Unearned revenue	1,406,817	-	1,406,817
Due to other funds	378,769	13,232	392,001
Total liabilities	<u>1,965,269</u>	<u>21,894</u>	<u>1,987,163</u>
Fund balances			
Restricted for:			
Public safety	52,695	-	52,695
Building department	84,340	-	84,340
Road improvements	-	783,457	783,457
Committed to:			
Road improvements	-	1,854,643	1,854,643
Assigned to:			
Subsequent year's budget	353,252	-	353,252
Unassigned	407,697	-	407,697
Total fund balances	<u>897,984</u>	<u>2,638,100</u>	<u>3,536,084</u>
Total liabilities and fund balances	<u>\$ 2,863,253</u>	<u>\$ 2,659,994</u>	<u>\$ 5,523,247</u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Fund balance of governmental funds **\$3,536,084**

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

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

Total governmental capital assets	16,793,240	
Less: accumulated depreciation	<u>(12,770,202)</u>	4,023,038

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	(405,125)	
Deferred outflows related to pensions	1,312,446	
Deferred inflows related to pensions	<u>(1,430,371)</u>	(523,050)

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.

Net OPEB liability	(913,970)	
Deferred outflows related to OPEB	377,609	
Deferred inflows related to OPEB	<u>(208,984)</u>	(745,345)

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	(362,761)	
Accrued interest payable	(3,800)	
Compensated absences	<u>(175,538)</u>	(542,099)

Net position of governmental activities **\$ 5,748,628**

See notes to financial statements

CITY OF STARKE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Transportation Trust Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 3,184,998	\$ 344,039	\$ 3,529,037
Permits and fees	171,472	-	171,472
Intergovernmental	400,799	115,327	516,126
Fines and forfeitures	54,061	-	54,061
Contributions	37,832	-	37,832
Charges for services	16,150	-	16,150
Investment income	2,967	7,001	9,968
Miscellaneous	121,425	13,861	135,286
Total revenues	<u>3,989,704</u>	<u>480,228</u>	<u>4,469,932</u>
EXPENDITURES			
Current:			
General government	902,333	-	902,333
Public safety	3,632,866	-	3,632,866
Transportation	-	231,160	231,160
Culture and recreation	317,358	-	317,358
Capital outlay	128,996	691,851	820,847
Debt service			
Principal	68,045	-	68,045
Interest	14,839	-	14,839
Total expenditures	<u>5,064,437</u>	<u>923,011</u>	<u>5,987,448</u>
Excess (deficiency) of revenues over (under) expenditures	(1,074,733)	(442,783)	(1,517,516)
OTHER FINANCING SOURCES (USES)			
Capital grants	76,483	628,979	705,462
Transfers In	602,205	-	602,205
Total other financing sources (uses)	<u>678,688</u>	<u>628,979</u>	<u>1,307,667</u>
Net change in fund balances	(396,045)	186,196	(209,849)
Fund balances - beginning (restated)	<u>1,294,029</u>	<u>2,451,904</u>	<u>3,745,933</u>
Fund balances - ending	<u>\$ 897,984</u>	<u>\$ 2,638,100</u>	<u>\$ 3,536,084</u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balances of governmental funds \$ (209,849)

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	820,847
Depreciation expense	(353,023)
Gain (loss) on disposition of assets	(1,410)

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	68,045
Decrease (increase) in accrued interest on long-term debt	2,937

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	492,772
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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	(12,419)
Change in net OPEB liability and deferred inflows/outflows related to OPEB	(76,259)

Change in net position of governmental activities \$ 731,641

See notes to financial statements.

**CITY OF STARKE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND
SEPTEMBER 30, 2022**

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,301,173
Investments	1,000
Accounts receivable, net	2,629,297
Inventories	724,744
Prepaid items	5,079
Due from other funds	125,597

Restricted assets:

Cash and cash equivalents	46,942
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Total current assets	<u>9,833,832</u>
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Noncurrent assets:

Capital assets, not being depreciated	6,822,300
Capital assets, being depreciated, net	<u>14,927,791</u>

Total noncurrent assets	<u>21,750,091</u>
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Total assets	<u>31,583,923</u>
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DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	872,635
Related to OPEB	92,640
Total deferred outflows of resources	<u>965,275</u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	391,632
Customer deposits	1,168,905
Due to other funds	97,705
Notes payable, current portion	65,292
Accrued interest payable	183
Compensated absences, current portion	58,000
Payable from restricted assets:	
Notes payable, current portion	46,786
Accrued interest payable	3,894

Total current liabilities	<u>1,832,397</u>
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Noncurrent liabilities:

Notes payable, noncurrent portion	918,679
Compensated absences, noncurrent portion	45,807
Net OPEB liability	286,888
Net pension liability	781,129

Total noncurrent liabilities	<u>2,032,503</u>
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Total liabilities	<u>3,864,900</u>
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DEFERRED INFLOWS OF RESOURCES

Related to pensions	1,050,444
Related to OPEB	65,599
Total deferred inflows of resources	<u>1,116,043</u>

NET POSITION

Net investment in capital assets	20,715,257
Restricted for debt service	46,942
Unrestricted	6,806,056
Total Net Position	<u>\$27,568,255</u>

See notes to financial statements.

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, 2022

Operating revenues	
Charges for services	\$ 13,883,344
Miscellaneous revenues	98,620
Total operating revenues	<u>13,981,964</u>
Operating expenses	
Personal services	2,473,160
Contractual services	167,966
Utilities	6,862,526
Maintenance and repairs	236,455
Other supplies	1,040,918
Insurance	118,715
Depreciation	1,126,877
Total operating expenses	<u>12,026,617</u>
Operating income (loss)	1,955,347
Nonoperating revenues (expenses)	
Interest earnings	6,244
Intergovernmental grants	400,500
Interest expense	(51,565)
Total nonoperating revenues (expenses)	<u>355,179</u>
Income (loss) before capital grants and transfers	2,310,526
Capital grants	875,000
Transfers out	<u>(602,205)</u>
Change in net position	2,583,321
Net position, beginning of year (restated)	24,984,934
Net position, end of year	<u><u>\$ 27,568,255</u></u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - UTILITY SYSTEM REVENUE ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Cash flows from operating activities	
Cash received from customers	\$ 13,145,421
Cash paid to employees	(2,909,015)
Cash paid to suppliers	(9,370,513)
Net cash provided by (used in) operating activities	<u>865,893</u>
Cash flows from noncapital financing activities	
Transfers to other funds	(602,205)
Intergovernmental grant proceeds	400,500
Interfund loans	82,408
Net cash provided by (used in) noncapital financing activities	<u>(119,297)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(702,477)
Capital grants	875,000
Principal payments of long-term debt	(89,346)
Interest paid	(53,177)
Net cash provided by (used in) capital and related financing activities	<u>30,000</u>
Cash flows from investing activities	
Interest received	6,244
Net cash provided by (used in) investing activities	<u>6,244</u>
Net change in cash and cash equivalents	782,840
Cash and cash equivalents, beginning of year	5,565,275
Cash and cash equivalents, end of year	<u>\$ 6,348,115</u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 6,301,173
Restricted	46,942
Total cash and cash equivalents	<u>\$ 6,348,115</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 1,955,347
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,126,877
Changes in assets and liabilities:	
Accounts receivable	(877,160)
Inventories	(66,456)
Prepaid items	66,575
Accounts payable and accrued liabilities	(1,026,732)
Deposits	40,613
Power costs recovered in advance	-
Compensated absences	2,632
Net pension liability and related deferred outflows and inflows	(378,023)
Total OPEB liability and related deferred outflows and inflows	22,220
Net cash provided by (used in) operating activities	<u>\$ 865,893</u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022**

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 749,332
Receivables	
Employer contributions	120,323
State insurance premium taxes	-
Interest and dividends	20,712
Total receivables	141,035
Prepaid expenses	977
Investments, at fair value	
Money market funds	461,794
Collateralized mortgage obligations	210,013
Fixed income mutual funds	1,674,757
Municipal obligations	99,960
Corporate bonds	2,773,207
Equity securities	12,934,913
Total investments, at fair value	18,154,644
Total assets	19,045,988
Liabilities	
Accounts payable	43,256
Due to other funds	28,642
Total liabilities	71,898
Net position	
Restricted for pensions	\$ 18,974,090

See notes to financial statements.

**CITY OF STARKE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,132,567
Plan members	62,312
Total contributions	1,194,879
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	(3,201,547)
Interest and dividends	314,582
Total investment earnings	(2,886,965)
Less: investment expense	(118,281)
Net investment income (loss)	(3,005,246)
Total additions	(1,810,367)
Deductions	
Benefit payments and refunds	1,440,702
Administrative expenses	160,709
Total deductions	1,601,411
Change in net position	(3,411,778)
Net position restricted for pensions, beginning of year	22,385,868
Net position restricted for pensions, end of year	\$ 18,974,090

See notes to financial statements.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

Note 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 City 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), was included in the financial reporting entity as a blended component unit in the prior fiscal year. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Commission is a member of the Agency. The Agency was dissolved in May 2021 and is not included in financial statements for the fiscal year ended September 30, 2022.
- 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, 2022

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

The City reports the following major governmental funds:

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

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

The City reports the following enterprise fund:

Utilities System Revenue Fund—this fund is used to account for operations of the City's electric, garbage, 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.

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

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022**

- 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:

<u>Assets</u>	<u>Years</u>
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.
- 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,

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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, 2022, the property taxes receivable were not material.

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

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

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

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

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

The budget, as adopted, may only be amended through formal approval by City Commission. The level at which expenditures may not legally exceed budget is at the fund level. The City Manager or City Clerk may transfer budgeted amounts within and between departments of the City without formal approval by City Commission. For the year ended September 30, 2022, appropriations exceeded expenditures in general fund by \$446,987.

CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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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.

- p) **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.

- q) **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.

Note 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 the total fund balance of governmental funds and the net position of 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 the total net change in fund balances of governmental funds and the change 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.

Note 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 consisted entirely of certificates of deposits at September 30, 2022, 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*. In addition, the City acted as a fiduciary agent for other investments held in its pension trust funds as discussed later in this note.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 this 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:

1. 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.
2. 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.
3. Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.
4. Bonds issued by the State of Israel.
5. 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.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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6. 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:

1. 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.
2. 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.
3. 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.
4. 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)	Fair Value Hierarchy Classification
Money market funds	\$ 227,560	N/A	Level 1
Collateral mortgage obligations	140,009	5.30	Level 1
Municipal obligations	99,960	0.04	Level 2
Corporate bonds	1,951,097	4.19	Level 2
Common equity securities	7,279,389	N/A	Level 1
Total General Employees' Plan	\$ 9,698,015		

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

	Fair Value	Weighted Average Maturity (years)	Fair Value Hierarchy Classification
Money market funds	\$ 33,593	N/A	Level 1
Corporate bonds	1,674,757	4.01	Level 1
Common equity securities	2,594,004	N/A	Level 1
Total Police Officers' Plan	\$ 4,302,354		

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

	Fair Value	Weighted Average Maturity (years)	Fair Value Hierarchy Classification
Money market funds	\$ 200,641	N/A	Level 1
Collateral mortgage obligations	70,004	5.30	Level 1
Corporate bonds	822,110	4.44	Level 2
Common equity securities - domestic	2,963,310	N/A	Level 1
Common equity securities - foreign	98,210	N/A	Level 2
Total Firefighters' Plan	\$ 4,154,275		

The following chart shows the Moody's ratings of the fixed income investments of the three Pension Plan Trust Funds.

Rating	General		
	Employees' Plan	Police Officers' Plan	Firefighters' Plan
Aaa	\$ 140,009	\$ 1,042,296	\$ 70,004
Aa2	-	54,340	-
A1	161,598	-	53,546
A2	423,725	220,751	204,586
A3	734,631	-	269,049
Baa1	449,459	-	177,651
Baa2	187,377	334,801	70,144
Baa3	94,267	-	47,134
Ba2	-	18,586	-
B2	-	597	-
Below B	-	731	-
Unrated	-	2,655	-
	\$ 2,191,066	\$ 1,674,757	\$ 892,114

Police Officers' ratings were based on S&P ratings and were converted to Moodys for consistency.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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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, 2022, 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, 2022.

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, 2022, 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 25% of its investments in securities at market value in foreign securities. At September 30, 2022, the investment portfolios met the foreign securities limitations.

Note 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, 2022, individual fund interfund receivables and payables for the primary government were comprised of the following:

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

	Due from other funds	Due to other funds
Governmental Activities:		
General Fund	\$ 270,372	\$ 378,769
Transportation Trust Fund	2,056	13,232
Business-Type Activities:		
Utilities System Revenue Fund	125,597	97,705
Fiduciary Funds:		
General Pension	-	23,142
Police Pension	55,963	-
Fire Pension	64,360	5,500
Total	\$ 518,348	\$ 518,348

For the year ended September 30, 2022, 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	\$ 602,205	\$ -
Business-Type Activities:		
Utilities System Revenue Fund	-	602,205
Total	\$ 602,205	\$ 602,205

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, 2022**

Note 5 : Receivables

The City's receivables consisted of the following at September 30, 2022:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 10,698	\$ -	\$ 10,698
Intergovernmental	352,412	-	352,412
Transportation Trust Fund			
Accounts receivable	-	-	-
Intergovernmental	61,701	-	61,701
Total – Governmental Activities	<u>424,811</u>	<u>-</u>	<u>424,811</u>
Business-Type Activities:			
Utility Systems Revenue Fund			
Accounts receivable	2,657,177	(27,880)	2,629,297
Total – Business-Type Activities	<u>2,657,177</u>	<u>(27,880)</u>	<u>2,629,297</u>
Total	<u>\$ 3,081,988</u>	<u>\$ (27,880)</u>	<u>\$ 3,054,108</u>

Note 6 : Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2022, 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	668,402	-	(668,402)	-
Total capital assets, not being depreciated	<u>846,862</u>	<u>-</u>	<u>(668,402)</u>	<u>178,460</u>
Capital assets, being depreciated				
Infrastructure	9,830,245	1,355,252	-	11,185,497
Land improvements	10,048	-	(10,048)	-
Buildings and improvements	3,046,450	-	(6,200)	3,040,250
Machinery and equipment	2,430,241	133,997	(175,205)	2,389,033
Total capital assets, being depreciated	<u>15,316,984</u>	<u>1,489,249</u>	<u>(191,453)</u>	<u>16,614,780</u>
Accumulated depreciation	(12,607,222)	(353,023)	190,043	(12,770,202)
Total capital assets, being depreciated, net	<u>2,709,762</u>	<u>1,136,226</u>	<u>(1,410)</u>	<u>3,844,578</u>
Governmental activities capital assets, net	<u>\$ 3,556,624</u>	<u>\$ 1,136,226</u>	<u>\$ (669,812)</u>	<u>\$ 4,023,038</u>

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,589,398	\$ -	\$ -	\$ 1,589,398
Construction in progress	5,066,777	166,125	-	5,232,902
Total capital assets, not being depreciated	6,656,175	166,125	-	6,822,300
Capital assets, being depreciated				
Infrastructure	34,707,986	335,852	-	35,043,838
Buildings and improvements	1,434,172	-	-	1,434,172
Machinery and equipment	6,460,656	200,500	-	6,661,156
Total capital assets, being depreciated	42,602,814	536,352	-	43,139,166
Accumulated depreciation	(27,084,498)	(1,126,877)	-	(28,211,375)
Total capital assets, being depreciated, net	15,518,316	(590,525)	-	14,927,791
Business-type activities capital assets, net	<u>\$ 22,174,491</u>	<u>\$ (424,400)</u>	<u>\$ -</u>	<u>\$ 21,750,091</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 32,866
Public safety	153,714
Transportation	104,996
Culture and recreation	61,447
Total depreciation expense - governmental activities	<u>\$ 353,023</u>
Business-type activities:	
Utilities System Revenue Fund	\$ 1,126,877
Total depreciation expense - business-type activities	<u>\$ 1,126,877</u>

Note 7: Noncurrent Liabilities:

Noncurrent liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Governmental activities:					
Bonds & notes payable	\$ 430,806	\$ -	\$ (68,045)	\$ 362,761	\$ 70,610
Compensated absences	163,119	12,419	-	175,538	83,000
Net OPEB liability	696,672	217,298	-	913,970	-
Net pension liability	1,198,477	-	(793,352)	405,125	-
Total governmental activities	<u>\$ 2,489,074</u>	<u>\$ 229,717</u>	<u>\$ (861,397)</u>	1,857,394	<u>\$ 153,610</u>
			Less current portion	(153,610)	
			Total noncurrent liabilities	<u>\$ 1,703,784</u>	
Business-type activities:					
Bonds & notes payable	\$ 1,120,103	\$ -	\$ (89,346)	1,030,757	\$ 112,078
Compensated absences	101,175	2,632	-	103,807	58,000
Net OPEB liability	247,423	39,465	-	286,888	-
Net pension liability	1,116,698	-	(335,569)	781,129	-
Total business-type activities	<u>\$ 2,585,399</u>	<u>\$ 42,097</u>	<u>\$ (424,915)</u>	2,202,581	<u>\$ 170,078</u>
			Less current portion	(170,078)	
			Total noncurrent liabilities	<u>\$ 2,032,503</u>	

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
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Notes payable in the City's business-type activities at September 30, 2022, 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 2022); currently paid in monthly installments of \$5,908, final payment is due October 2027.</p>	\$ 327,770	
<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>	412,856	
<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>	290,131	
<p>Total notes payable - business-type activities</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$ 1,030,757</td> </tr> </table>	\$ 1,030,757
\$ 1,030,757		

Notes payable in the City's governmental activities at September 30, 2022, 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>	83,805	
<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>	278,956	
<p>Total notes payable - governmental activities</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">\$ 362,761</td> </tr> </table>	\$ 362,761
\$ 362,761		

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

The annual requirements to amortize notes payable as of September 30, 2022, are as follows:

Governmental Activities:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 70,610	\$ 12,274	\$ 82,884
2024	73,075	9,809	82,884
2025	75,635	7,249	82,884
2026	69,407	4,628	74,035
2027	74,034	2,519	76,553
Total	<u>\$ 362,761</u>	<u>\$ 36,479</u>	<u>\$ 399,240</u>

Business-type Activities:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 112,078	\$ 17,158	\$ 129,236
2024	124,708	14,788	139,496
2025	130,202	12,299	142,501
2026	132,739	9,762	142,501
2027	123,995	7,181	131,176
2028-2032	262,570	14,149	276,719
2033-2037	84,194	2,851	87,045
2038-2041	60,271	647	60,918
Total	<u>\$ 1,030,757</u>	<u>\$ 78,835</u>	<u>\$ 1,109,592</u>

Note 8: Employees' Retirement Plans

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.

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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 October 1, 2021, the latest actuarial valuation date, the membership in the System consisted of the following:

Group	General Employees' Plan	Police Officers' Plan	Firefighters' Plan
Inactive plan members and beneficiaries currently receiving benefits	55	12	6
Inactive plan members entitled to but not receiving benefits	3	4	0
Active plan members	42	15	38
Total	100	31	44

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.

**CITY OF STARKE, FLORIDA
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SEPTEMBER 30, 2022**

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, 2022, was \$2,935,111. The annual pension cost for the City was \$780,801 which includes \$142,145, member pickup paid by the City on behalf of the members.

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

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

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

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary. For the year ended September 30, 2022, there were no contributions from the State of Florida to the City's pension plans.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

For the year ended September 30, 2022, contributions to the City's pension plans were as follows:

	General Employees' Plan	Police Officers' Plan	Firefighters' Plan	Total
Employee contributions	\$ 20,941	\$ 7,037	\$ 34,334	\$ 62,312
City contributions	636,389	208,680	287,498	1,132,567
State contributions	-	-	-	-
Total contributions	<u>\$ 657,330</u>	<u>\$ 215,717</u>	<u>\$ 321,832</u>	<u>\$ 1,194,879</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.

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, 2022:

Asset Class	Target Asset Allocation		
	General Employees' Plan	Police Officers' Plan	Firefighters' Plan
Domestic equity	45%	35% - 60%	35% - 75%
International equity	15%	40% - 65%	0% - 25%
Domestic bonds	40%	40%	25%-55%
Cash and cash equivalents	Minimal	2%- 25%	Minimal

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2022, were as follows:

	General Employees' Plan	Police Officers' Plan	Firefighters' Plan	Total
Total pension liability	\$12,933,452	\$ 5,180,561	\$ 5,455,790	\$ 23,569,803
Plan fiduciary net position	(11,946,116)	(5,402,166)	(5,035,267)	(22,383,549)
Net pension liability	<u>\$ 987,336</u>	<u>\$ (221,605)</u>	<u>\$ 420,523</u>	<u>\$ 1,186,254</u>
Plan fiduciary net position as a percentage of total pension liability	92.37%	104.28%	92.29%	94.97%

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

The total pension liability was determined by an actuarial valuation as of October 1, 2021, and measurement date of September 30, 2021, using the following actuarial assumptions to all measurement periods.

Asset Class	General Employees' Plan	Police Officers' Plan	Firefighters' Plan
Inflation	2.5%	2.5%	2.5%
Salary increases	3.25% - 4.00%	4.00% - 5.00%	3.5% - 5.0%
Investment rate of return	7.50%	7.25%	7.50%
Mortality table	PUB-2010	PUB-2010	PUB-2010

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, 2022, are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return		
	General		
	Employees' Plan	Police Officers' Plan	Firefighters' Plan
Domestic equity	7.50%	9.57%	7.50%
International equity	8.50%	NA	8.50%
Domestic bonds	2.50%	4.97%	2.50%
International bonds	3.50%	NA	3.50%
Real estate	4.50%	NA	4.50%
Alternative assets	6.24%	NA	6.24%

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 as applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

Changes in net pension liability:

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

	General Employees' Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 12,414,934	\$ 10,952,168	\$ 1,462,766
Changes for year:			-
Service cost	119,388	-	119,388
Interest	886,528	-	886,528
Differences between expected/actual experience	62,607	-	62,607
Assumption Changes	683,365	-	683,365
Contributions – employer	-	416,242	(416,242)
Contributions – employee	-	18,156	(18,156)
Contributions – employee picked up by employer	-	78,045	(78,045)
Net investment income	-	1,746,078	(1,746,078)
Benefit payments, including refunds	(1,233,370)	(1,233,370)	-
Administrative expenses	-	(31,203)	31,203
Net changes	518,518	993,948	(475,430)
Ending Balance	\$ 12,933,452	\$ 11,946,116	\$ 987,336

	Police Officers' Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 4,904,837	\$ 4,628,123	\$ 276,714
Changes for year:			-
Service cost	93,494	-	93,494
Interest	340,890	-	340,890
Differences between expected/actual experience	(50,293)	-	(50,293)
Assumption Changes	157,458	-	157,458
Contributions – employer	-	163,072	(163,072)
Contributions – employee	-	6,783	(6,783)
Contributions – employee picked up by employer	-	34,696	(34,696)
Net investment income	-	889,998	(889,998)
Benefit payments, including refunds	(265,825)	(265,825)	-
Administrative expenses	-	(54,681)	54,681
Net changes	275,724	774,043	(498,319)
Ending Balance	\$ 5,180,561	\$ 5,402,166	\$ (221,605)

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

	Firefighters' Plan		
	Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)
Beginning Balance	\$ 4,904,798	\$ 4,329,103	\$ 575,695
Changes for year:			-
Service cost	123,551	-	123,551
Interest	384,958	-	384,958
Differences between expected/actual experience	140,799	-	140,799
Assumption Changes	107,244	-	107,244
Contributions – employer	-	224,781	(224,781)
Contributions – employee	-	33,620	(33,620)
Contributions – employee picked up by employer	-	30,112	(30,112)
Net investment income	-	667,931	(667,931)
Benefit payments, including refunds	(205,560)	(205,560)	-
Administrative expenses	-	(44,720)	44,720
Net changes	550,992	706,164	(155,172)
Ending Balance	\$ 5,455,790	\$ 5,035,267	\$ 420,523

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'	7.00%	\$ 2,270,883	\$ 987,336	\$ (101,694)
Police Officers'	7.00%	405,219	(221,605)	(738,239)
Firefighters'	7.25%	1,104,655	420,523	(152,171)
		<u>\$ 3,780,757</u>	<u>\$ 1,186,254</u>	<u>\$ (992,104)</u>

For the year ended September 30, 2022, 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 Officers' Plan	Firefighters' Plan
Annual money-weighted rate of return	-14.08%	-14.05%	-14.77%

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

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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

For the year ended September 30, 2022, the City recognized pension expense of \$19,132, \$117,360, and \$29,636 in the General Employees, Police, and Fire pension plans, respectively, for a total of \$166,128

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees' Plan		Police Officers' Plan		Firefighters' 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	\$ 108,659	\$ 41,212	\$ 39,063	\$ 66,931	\$ 414,977	\$ 112,205
Changes of assumptions	357,953	100,948	142,125	84,885	108,671	77,362
Contributions made subsequent to measurement date	636,389	-	154,106	-	223,138	-
Net difference between projected and actual investment earnings	-	1,185,587	-	359,905	-	451,780
Total	\$ 1,103,001	\$ 1,327,747	\$ 335,294	\$ 511,721	\$ 746,786	\$ 641,347

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the three pensions will be recognized in pension expense as follows:

Year ended September 30,	General	Police Officers'	Firefighters'
	Employees' Plan	Plan	Plan
2023	580,897	144,713	116,742
2024	(248,732)	(56,132)	(77,720)
2025	(355,760)	(108,464)	(109,371)
2026	(201,151)	(132,507)	(41,285)
2027	-	(18,491)	32,115
Thereafter	-	(5,546)	184,958
Total	\$ (224,746)	\$ (176,427)	\$ 105,439

Pension Fund Financial Statements

The basic financial statements of the City includes a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column that includes consolidated information for all three pension trust funds. The other information section has a Combining Schedule of Fiduciary Net Position and Combining Schedule of Changes in Fiduciary Net Position which show the disaggregated amounts for all three pension trust funds with totals. The City has separately issued audited financial statements for the Police Officers' and Firefighters' Pension Trust Funds.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

Note 9: 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.

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, 2021, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	73
Inactive Employees	<u>12</u>
	<u>85</u>

Total OPEB Liability - The City’s total OPEB liability of \$1,200,858 was measured as of October 1, 2021, and was determined by an actuarial valuation as of the date noted in the above Plan Membership section.

Actuarial Assumptions and Other Inputs - The total OPEB liability recorded at September 30, 2022, was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

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Inflation	2.50%
Salary increases	3.5% - 7.0%
Discount rate	2.19%
Healthcare cost trend rate	Based upon the Getzen Model starting at 6.50% gradually decreasing to an ultimate rate of 3.70% in 2042
Retirees' share of benefit-related costs	100% of blended health insurance premium rates except by law 0% for certain conditions for Police Officers and Firefighters death and disability benefits

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.

Experience Study – The actuarial assumptions used in the October 1, 2021 Actuarial Valuations of the City of Starke Firefighters' Retirement System, City of Starke General Employees' Retirement System and City of

Starke Police Officers' Retirement System are based on the results of an Experience Study for the period October 1, 2014 – September 30, 2019.

For the fiscal year ended September 30, 2022, changes in the total OPEB liability were as follows:

Balance at September 30, 2021	\$ 944,095
Changes:	
Service cost	76,105
Interest	24,506
Benefit changes	-
Differences between expected and actual experience	213,605
Changes of assumptions	(33,826)
Benefit payments – implicit rate subsidy	(23,627)
Net changes	<u>256,763</u>
Balance at September 30, 2022	<u>\$ 1,200,858</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 2.19%, as well as what the City's total OPEB liability would be if it were calculated using a

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 1,357,662	\$ 1,200,858	\$ 1,069,400

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 (5.5%-2.7%) or 1% higher (7.5%-4.7%) than the current healthcare cost trend rates (6.5%-3.7%):

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 1,043,413	\$ 1,200,858	\$ 1,398,869

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

For the year ended September 30, 2022; the City recognized OPEB expense of \$139,367. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 298,063	\$ 226,176
Changes of assumptions and other inputs	131,124	48,407
Contributions subsequent to measurement date	41,062	-
Total	\$ 470,249	\$ 274,583

\$41,062 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, 2022.

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30,	
2023	31,806
2024	72,868
2025	33,162
2026	(6,551)
2027	25,454
Thereafter	38,927
Total	<u>\$ 195,666</u>

Note 10: 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.

Note 11 :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 2021-2022 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% (73.5Mega Watt hours (MWh)) minority interest in the project. The St. Lucie plant has an estimated net capacity of 838 MW. The City has entered into Power Sales and Project Support Contracts with FMPA and has acquired a 2.18% share of power from the St. Lucie nuclear generating project. The City's participating share entitles it to 1.634 MW of electricity, annually.

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

**CITY OF STARKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 thirteen individual municipal electric systems, which are members of FMPA's All-Requirements Project. The All-Requirements Project has varying ownership interest in the Stanton Unit 1 and 2, the Indian River Combustion Turbines A, B, C and D; the Key West Units 2 and 3.

In addition to its ownership of generating facilities, FMPA has entered into interchange and power purchase contracts with Progress Energy, FPL, Lakeland Electric, Southern Company, Calpine Energy Services, Gainesville Regional Utilities, OUC and other utilities. FMPA supplies all of the power needs of the project participants. The total electricity purchased for the City of Starke during the fiscal year was approximately \$6,181,903.

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, 2022, Florida Gas Utility consisted of twenty-two members. During the current fiscal year, the City purchased approximately \$376,582 in natural gas from FGU for resale.

Note 12: Contingencies and Uncertainties:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2022. 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.

Note 13: Recent Accounting Pronouncements:

The City implemented GASB Statement No. 87, Leases during the fiscal year. 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 impact of the implementation of GASB Statement No. 87 was immaterial to the current year financial statements.

**CITY OF STARKE, FLORIDA
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SEPTEMBER 30, 2022**

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, 2022, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. It 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.

GASB issued Statement No. 101, *Compensated Absences*, in June of 2022. It replaces GASB 16 and creates a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. The provisions of GASB 101 are effective for periods beginning after December 15, 2023.

Note 14: Prior Period Adjustment:

A thorough review of balance sheet items was conducted, and it was found that at September 30, 2022, certain accounts needed to be corrected due to amounts that were misstated in the prior year. The prior year financial statements were impacted as reflected below.

	General Fund	Governmental Activities	Utility System Revenue Fund - Business-type activities
Unadjusted net position/fund balance	\$ 1,146,573	\$ 4,949,957	\$ 24,804,655
Prior period adjustments			
Due from other governments adjustment	18,015	18,015	-
Accounts payable and accrued liabilities	135,000	135,000	-
Accounts receivable adjustment	(5,559)	(5,559)	-
Deferred outflows of resources relating to pensions	-	(80,426)	-
Unearned revenue	-	-	180,279
Total prior period adjustment	147,456	67,030	180,279
Restated net position/fund balance	\$ 1,294,029	\$ 5,016,987	\$ 24,984,934

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STARKE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts	Actual	Variance with Final Budget- Positive (Negative)
REVENUES			
Taxes	\$ 3,203,864	\$ 3,184,998	\$ (18,866)
Permits and fees	158,501	171,472	12,971
Intergovernmental	297,744	400,799	103,055
Fines and forfeitures	34,000	54,061	20,061
Contributions	37,000	37,832	832
Charges for services	21,000	16,150	(4,850)
Investment income	2,000	2,967	967
Miscellaneous	89,500	121,425	31,925
Total revenues	3,843,609	3,989,704	146,095
EXPENDITURES			
Current:			
General government	895,467	902,333	(6,866)
Public safety	3,349,931	3,632,866	(282,935)
Culture and recreation	216,555	317,358	(100,803)
Capital Outlay	1,032,529	128,996	903,533
Debt Service			
Principal	12,654	68,045	(55,391)
Interest	4,288	14,839	(10,551)
Total expenditures	5,511,424	5,064,437	446,987
Excess (deficiency) of revenues over (under) expenditures	(1,667,815)	(1,074,733)	593,082
OTHER FINANCING SOURCES			
Capital grants	884,745	76,483	(808,262)
Transfers In	632,015	602,205	(29,810)
Total other financing sources	1,516,760	678,688	(838,072)
Net change in fund balances	(151,055)	(396,045)	(244,990)
Fund balances - beginning (restated)	1,294,029	1,294,029	-
Fund balances - ending	\$ 1,142,974	\$ 897,984	\$ (244,990)

See notes to financial statements.

CITY OF STARKE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – TRANSPORTATION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts	Actual	Variance with budget - Positive (Negative)
REVENUES			
Taxes	\$ 362,565	\$ 344,039	\$ (18,526)
Intergovernmental	91,942	115,327	23,385
Investment income	6,000	7,001	1,001
Miscellaneous	-	13,861	13,861
Total revenues	<u>460,507</u>	<u>480,228</u>	<u>19,721</u>
EXPENDITURES			
Current:			
Transportation	314,551	231,160	83,391
Capital outlay	650,000	691,851	(41,851)
Total expenditures	<u>964,551</u>	<u>923,011</u>	<u>41,540</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(504,044)</u>	<u>(442,783)</u>	<u>61,261</u>
OTHER FINANCING SOURCES			
Capital grants	650,000	628,979	(21,021)
Total other financing sources	<u>650,000</u>	<u>628,979</u>	<u>(21,021)</u>
Net change in fund balances	<u>145,956</u>	<u>186,196</u>	<u>40,240</u>
Fund balances, beginning of year	<u>2,451,904</u>	<u>2,451,904</u>	<u>-</u>
Fund balances, ending of year	<u>\$ 2,597,860</u>	<u>\$ 2,638,100</u>	<u>\$ 40,240</u>

See notes to financial statements.

**CITY OF STARKE, FLORIDA
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEPTEMBER 30, 2022**

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

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. Budgetary control is maintained at the department level. The fund is the legal level of control. For the year ended September 30, 2022, appropriations exceeded expenditures in the General Fund by \$446,987 and Transportation Trust fund by \$41,540.
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**

Reporting Date - September 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 76,105	\$ 70,494	\$ 58,491	\$ 61,350	\$ 36,732
Interest	24,506	25,071	43,762	39,587	18,050
Benefit changes	-	-	13,937	-	-
Difference between expected and actual experience	213,605	-	(404,736)	-	294,119
Changes of assumptions	(33,826)	13,671	81,043	(46,216)	197,957
Benefit payments	(23,627)	(19,074)	(44,967)	(35,728)	(9,893)
Net change in total OPEB liability	256,763	90,162	(252,470)	18,993	536,965
Total OPEB liability - beginning of year	944,095	853,933	1,106,403	1,087,410	550,445
Total OPEB liability - end of year	\$ 1,200,858	\$ 944,095	\$ 853,933	\$ 1,106,403	\$ 1,087,410
Covered employee payroll (projected)*	\$ 3,185,740	\$ 2,865,387	\$ 2,789,015	\$ 2,660,012	\$ 2,558,077
Total OPEB liability as a percentage of covered employee payroll	37.69%	32.95%	30.62%	41.59%	42.51%

Notes to the Schedule:

Measurement Date - October 1,	2021	2020	2019	2018	2017
Valuation Date - October 1,	2021	2019	2019	2017	2017

Changes to benefit terms: None

Changes of assumptions:

Discount rate:	2.19%	2.43%	2.74%	3.83%	3.50%
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Retirement rates and withdrawal rates are updated for Firefighters, general employees, and police officers based on the City Retirement Systems October 1, 2021 actuarial valuations

Salary increase scales are updated for general employees and police officers based on the City Retirement Systems October 1, 2021 actuarial valuations

The City's OPEB benefits are unfunded - there is no separate Trust Fund or equivalent arrangement into which the City makes contributions to advance fund the obligation.

* Covered employee payroll based on pay provided as of each valuation date. GASB Statement No. 75 requires actual covered payroll for measurement period.

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

CITY OF STARKE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PLAN
SEPTEMBER 30, 2022

Reporting Date - September 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	\$ 119,388	\$ 107,291	\$ 77,857	\$ 75,346	\$ 77,269	\$ 80,638	\$ 80,417	\$ 81,824
Interest	886,528	900,994	903,186	943,073	965,027	968,718	922,364	919,179
Benefit changes	-	-	-	-	-	134,185	-	-
Difference between actual and expected experience	62,607	144,833	(195,751)	92,402	(11,730)	77,226	(120,675)	(103,148)
Assumption changes	683,365	(192,720)	-	-	(3,216)	694,526	-	-
Benefit payments including refunds of contributions	(1,233,370)	(986,901)	(1,000,790)	(1,669,630)	(1,187,543)	(979,794)	(813,053)	(873,327)
Net change in total pension liability	518,518	(26,503)	(215,498)	(558,809)	(160,193)	975,499	69,053	24,528
Total pension liability - beginning	12,414,934	12,441,437	12,656,935	13,215,744	13,375,937	12,400,438	12,331,385	12,306,857
Total pension liability - ending (a)	<u>\$ 12,933,452</u>	<u>\$ 12,414,934</u>	<u>\$ 12,441,437</u>	<u>\$ 12,656,935</u>	<u>\$ 13,215,744</u>	<u>\$ 13,375,937</u>	<u>\$ 12,400,438</u>	<u>\$ 12,331,385</u>
Total Fiduciary Net Position								
Contributions - employer	416,242	668,747	676,062	601,642	533,934	434,152	511,983	725,572
Contributions - employee	18,156	15,776	14,173	17,475	10,906	9,969	9,377	8,767
Contributions - employee picked up by employer	78,045	78,876	70,864	58,698	54,532	49,844	46,885	43,710
Net investment income	1,746,078	1,481,683	313,459	1,109,427	1,303,328	1,007,125	(485,656)	1,040,361
Benefit payments, including refunds of contributions	(1,233,370)	(986,901)	(1,000,790)	(1,669,630)	(1,187,543)	(979,794)	(813,053)	(873,327)
Administrative expense	(31,203)	(36,489)	(35,352)	(60,758)	(28,272)	(52,968)	(46,487)	(32,236)
Net change in plan fiduciary net position	993,948	1,221,692	38,416	56,854	686,885	468,328	(776,951)	912,847
Plan fiduciary net position - beginning	10,952,168	9,730,476	9,692,060	9,635,206	8,948,321	8,479,993	9,256,944	8,344,097
Plan fiduciary net position - ending (b)	<u>\$ 11,946,116</u>	<u>\$ 10,952,168</u>	<u>\$ 9,730,476</u>	<u>\$ 9,692,060</u>	<u>\$ 9,635,206</u>	<u>\$ 8,948,321</u>	<u>\$ 8,479,993</u>	<u>\$ 9,256,944</u>
Net pension liability - ending (a) - (b)	\$ 987,336	\$ 1,462,766	\$ 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	92.37%	88.22%	78.21%	76.58%	72.91%	66.90%	68.38%	75.07%
Covered payroll	\$ 1,602,219	\$ 1,577,549	\$ 1,417,282	\$ 1,173,969	\$ 1,090,634	\$ 996,866	\$ 936,706	\$ 874,183
Net pension liability as a percentage of covered payroll	61.62%	92.72%	191.28%	252.55%	328.30%	444.15%	418.54%	351.69%

Notes to Schedule:

Measurement Date - September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Valuation Date - October 1,	2020	2019	2018	2017	2016	2015	2014	2013

Changes of assumptions:

Update procedures used to roll forward TPL excluding DROP account balances to the measurement dates - actual DROP account balances as of measurement dates included in TPL.
Interest return, employee withdrawal rates, salary increase factors, payroll growth and retirement rates assumptions updated for measurement date September 30, 2021.

Covered payroll on which contributions to the System are based is reported as provided under GASB No. 82.

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

**CITY OF STARKE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PLAN
SEPTEMBER 30, 2022**

Reporting Date - September 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	\$ 93,494	\$ 123,694	\$ 129,963	\$ 134,363	\$ 114,569	\$ 118,012	\$ 137,664	\$ 142,107
Interest	340,890	344,138	334,716	325,988	319,489	301,631	295,404	273,487
Benefit changes	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(50,293)	(21,441)	60,234	6,707	36,635	(131,179)	(20,659)	74,610
Assumption changes	157,458	(113,542)	-	-	(11,196)	329,557	-	-
Benefit payments including refunds of contributions	(265,825)	(281,497)	(288,921)	(499,920)	(186,296)	(195,249)	(148,844)	(170,730)
Net change in total pension liability	275,724	51,352	235,992	(32,862)	273,201	422,772	263,565	319,474
Total pension liability - beginning	4,904,837	4,853,485	4,617,493	4,650,355	4,377,154	3,954,382	3,690,817	3,371,343
Total pension liability - ending (a)	<u>\$ 5,180,561</u>	<u>\$ 4,904,837</u>	<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	163,072	192,906	203,301	215,652	183,199	170,839	168,741	211,844
Contributions - employee picked up by employer	34,696	31,492	34,275	32,934	30,465	26,654	27,922	26,674
Contributions - employee	6,783	8,049	6,855	6,587	6,093	5,544	5,784	5,525
Net investment income	889,998	239,968	215,415	260,044	352,649	384,891	(77,433)	289,838
Benefit payments, including refunds of contributions	(265,825)	(281,497)	(288,921)	(499,920)	(186,296)	(195,249)	(148,844)	(170,730)
Administrative expense	(54,681)	(32,660)	(32,378)	(49,254)	(39,291)	(50,014)	(45,090)	(34,257)
Net change in plan fiduciary net position	774,043	158,258	138,547	(33,957)	346,819	342,665	(68,920)	328,894
Plan fiduciary net position - beginning	4,628,123	4,469,865	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>\$ 5,402,166</u>	<u>\$ 4,628,123</u>	<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)	\$ (221,605)	\$ 276,714	\$ 383,620	\$ 286,175	\$ 285,080	\$ 358,698	\$ 278,591	\$ (53,894)
Plan fiduciary net position as a percentage of the total pension liability	104.28%	94.36%	92.10%	93.80%	93.87%	91.81%	92.95%	101.46%
Covered payroll	\$ 693,915	\$ 629,846	\$ 685,497	\$ 658,688	\$ 609,302	\$ 533,076	\$ 558,435	\$ 530,286
Net pension liability as a percentage of covered payroll	-31.94%	43.93%	55.96%	43.45%	46.79%	67.29%	49.89%	-10.16%

Notes to Schedule:

Measurement Date - September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Valuation Date - October 1,	2020	2019	2018	2017	2016	2015	2014	2013

Changes of assumptions:

Update procedures used to roll forward TPL excluding DROP account balances, reserve for excess State funds and Share Plan to the measurement dates - actual DROP account balances, reserve for excess State funds and Share Plan as of measurement dates included in TPL.

Interest return, employee withdrawal rates, salary increase factors, payroll growth assumption and retirement rates were updated for measurement date September 30, 2021.

Covered payroll on which contributions to the System are based is reported as provided under GASB No. 82.

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

**CITY OF STARKE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PLAN
SEPTEMBER 30, 2022**

Reporting Date - September 30,	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Cost	\$ 123,551	\$ 113,924	\$ 84,734	\$ 79,325	\$ 69,461	\$ 63,717	\$ 83,956	\$ 83,807
Interest	384,958	365,099	337,300	335,636	305,434	289,172	262,020	269,498
Benefit changes	-	190,499		-	-	-	-	-
Difference between actual and expected experience	140,799	14,578	(6,284)	187,675	74,382	183,386	(164,041)	(90,269)
Assumption changes	107,244	(80,127)	-	-	(14,589)	18,331	-	-
Benefit payments including refunds of contributions	(205,560)	(421,546)	(355,281)	(155,053)	(134,757)	(378,840)	(83,962)	(86,580)
Net change in total pension liability	550,992	182,427	60,469	447,583	299,931	175,766	97,973	176,456
Total pension liability - beginning	4,904,798	4,722,371	4,661,902	4,214,319	3,914,388	3,738,622	3,640,649	3,464,193
Total pension liability - ending (a)	<u>\$ 5,455,790</u>	<u>\$ 4,904,798</u>	<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	224,781	240,755	203,630	191,176	180,222	171,238	173,181	216,595
Contributions - employee	33,620	27,592	23,770	20,603	19,087	16,789	18,678	19,703
Contributions - employee picked up by employer	30,112	25,636	21,548	18,457	16,838	14,170	15,447	16,376
Net investment income	667,931	624,392	127,498	403,164	416,423	334,500	(194,473)	306,638
Benefit payments, including refunds of contributions	(205,560)	(421,546)	(355,281)	(155,053)	(134,757)	(378,840)	(83,962)	(86,580)
Administrative expense	(44,720)	(35,323)	(33,342)	(49,917)	(19,937)	(39,371)	(41,841)	(29,676)
Net change in plan fiduciary net position	706,164	461,506	(12,177)	428,430	477,876	118,486	(112,970)	443,056
Plan fiduciary net position - beginning	4,329,103	3,867,597	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>\$ 5,035,267</u>	<u>\$ 4,329,103</u>	<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)	\$ 420,523	\$ 575,695	\$ 854,774	\$ 782,128	\$ 762,975	\$ 940,920	\$ 883,640	\$ 672,697
Plan fiduciary net position as a percentage of the total pension liability	92.29%	88.26%	81.90%	83.22%	81.90%	75.96%	76.36%	81.52%
Covered payroll	\$ 653,134	\$ 545,328	\$ 468,003	\$ 404,909	\$ 374,243	\$ 327,059	\$ 362,802	\$ 382,968
Net pension liability as a percentage of covered payroll	64.39%	105.57%	182.64%	193.16%	203.87%	287.69%	243.56%	175.65%

Notes to Schedule:

Measurement Date - September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Valuation Date - October 1,	2020	2019	2018	2017	2016	2015	2014	2013

Changes of assumptions:

Update procedures used to roll forward TPL excluding DROP account balances and Share Plan to the measurement dates - actual DROP account balances and Share Plan as of measurement dates included in TPL.

Interest return, employee withdrawal rates, retirement rates and payroll growth assumption were updated for measurement date September 30, 2021.

Covered payroll on which contributions to the System are based is reported as provided under GASB No. 82.

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

**CITY OF STARKE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2022**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions In Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2022	\$ 370,196	\$ 531,720	\$ (161,524)	\$ 2,170,227	24.50%
2021	372,610	416,242	(43,632)	1,602,219	25.98%
2020	439,798	668,747	(228,949)	1,577,549	42.39%
2019	474,388	676,062	(201,674)	1,417,282	47.70%
2018	485,783	601,642	(115,859)	1,173,969	51.25%
2017	481,994	533,934	(51,940)	1,090,634	48.96%
2016	434,152	434,152	-	996,866	43.55%
2015	494,285	511,983	(17,698)	936,706	54.66%
2014	525,384	725,572	(200,188)	874,183	83.00%
2013	439,741	600,186	(160,445)	852,072	70.44%

Notes to Schedule:

Valuation Date: Actuarially determined contributions are calculated as of October 1st - two year(s) prior the fiscal year end in which contributions are reported.

Methods and assumptions used to determine contribution rates for the fiscal year ended September 30, 2021:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of Pay, Closed
Amortization Period:	30 years
Asset Valuation Method:	4-year smoothed market
Inflation:	2.5%
Salary Increases:	6.00-7.00%
Investment Rate of Return:	7.00%
Payroll Growth:	4.0% per annum - not greater than historical 10-year average (0.4%) - minimum 0.0%
Mortality:	For healthy participants during employment, PUB-2010 Headcount Weighted General Below Median Employee Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participants post employment, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements.
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.

Covered payroll on which contributions to the System are based is reported as provided under GASB No. 82.

**CITY OF STARKE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2022**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions In Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2022	\$ 170,145	\$ 114,182	\$ 55,963	\$ 770,685	14.82%
2021	173,062	163,072	9,990	693,915	23.50%
2020	193,175	192,906	269	629,846	30.63%
2019	203,146	203,301	(155)	685,497	29.66%
2018	215,652	215,652	-	658,688	32.74%
2017	183,199	183,199	-	609,302	30.07%
2016	170,839	170,839	-	533,076	32.05%
2015	168,741	168,741	-	558,435	30.22%
2014	162,286	211,844	(49,558)	530,286	39.95%
2013	165,835	169,837	(4,002)	571,086	29.74%

Notes to Schedule:

Valuation Date: Actuarially determined contributions are calculated as of October 1st - two year(s) prior the fiscal year end in which contributions are reported.

Methods and assumptions used to determine contribution rates for the fiscal year ended September 30, 2021:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of Pay, Closed
Amortization Period:	20 years
Asset Valuation Method:	4-year smoothed market value
Inflation:	2.5%
Payroll Growth:	4.0% per annum - not greater than historical 10-year average (-1.4%) but not less than 0.0%.
Salary Increases:	5.0% - 7.0%
Investment Rate of Return:	7.00%
Retirement Age:	Age 55 and 10 yrs of service, or 25 yrs of service.
Early Retirement:	Age 50 and 10 yrs of service.
Mortality:	Experience-based table of rates that are specific to the type of eligibility condition. For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, without projected mortality improvements.

Covered payroll on which contributions to the System are based is reported as provided under GASB No. 82.

**CITY OF STARKE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2022**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions In Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2022	\$ 253,385	\$ 189,025	\$ 64,360	\$ 705,669	26.79%
2021	223,804	224,781	(977)	653,134	34.42%
2020	240,953	240,755	198	545,328	44.15%
2019	203,606	203,630	(24)	468,003	43.51%
2018	191,176	191,176	-	404,909	47.21%
2017	180,222	180,222	-	374,243	48.16%
2016	134,684	171,238	(36,554)	327,059	52.36%
2015	163,445	173,181	(9,736)	362,802	47.73%
2014	173,612	216,595	(42,983)	382,968	56.56%
2013	202,879	202,879	-	375,673	54.00%

Notes to Schedule:

Valuation Date: Actuarially determined contributions are calculated as of October 1st - two year(s) prior the fiscal year end in which contributions are reported.

Methods and assumptions used to determine contribution rates for the fiscal year ended September 30, 2021:

Actuarial Cost Method:	Entry Age
Amortization Method:	Level Percentage of Pay, Closed
Amortization Period:	30 years
Asset Valuation Method:	4-year smoothed market
Inflation:	2.5%
Salary Increases:	3.5%-5.0%
Investment Rate of Return:	7.25%
Payroll Growth:	4.0% per annum - not greater than historical 10-year average (2.5%).
Retirement Age:	Age 55 and 10 yrs of service, or 25 yrs of service.
Early Retirement:	Age 50 and 10 yrs of service.
Mortality:	Experience-based table of rates that are specific to the type of eligibility condition. For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, without projected mortality improvements.

Covered payroll on which contributions to the System are based is reported as provided under GASB No. 82.

**CITY OF STARKE, FLORIDA
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2022**

For the Fiscal Year Ending September 30,	General Employees' Plan	Police Officers' Plan	Firefighters' Plan
2022	-14.08%	-14.05%	-14.77%
2021	18.70%	20.80%	18.90%
2020	15.00%	6.07%	15.30%
2019	4.13%	5.02%	3.95%
2018	10.16%	6.20%	9.84%
2017	14.28%	9.17%	12.75%
2016	11.28%	11.14%	10.31%
2015	-5.42%	-2.27%	-7.49%
2014	12.22%	9.37%	10.91%

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

OTHER INFORMATION
COMBINING SCHEDULES

**CITY OF STARKE, FLORIDA
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022**

	General Employees' Plan	Police Officers' Plan	Firefighters' Plan	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 343,896	\$ 210,984	\$ 194,452	\$ 749,332
Receivables				
Employer contributions	-	55,963	64,360	120,323
Interest and dividends	14,278	-	6,434	20,712
Total receivables	14,278	55,963	70,794	141,035
Prepaid expenses	-	977	-	977
Investments, at fair value				
Money market funds	227,560	33,593	200,641	461,794
Collateralized mortgage obligations	140,009	-	70,004	210,013
Fixed income mutual funds	-	1,674,757	-	1,674,757
Municipal obligations	99,960	-	-	99,960
Corporate bonds	1,951,097	-	822,110	2,773,207
Equity securities	7,279,389	2,594,004	3,061,520	12,934,913
Total investments, at fair value	9,698,015	4,302,354	4,154,275	18,154,644
Total assets	10,056,189	4,570,278	4,419,521	19,045,988
Liabilities				
Accounts payable	3,625	15,756	23,875	43,256
Due to other funds	23,142	-	5,500	28,642
Total liabilities	26,767	15,756	29,375	71,898
Net position				
Restricted for pensions	\$ 10,029,422	\$ 4,554,522	\$ 4,390,146	\$ 18,974,090

See notes to financial statements.

**CITY OF STARKE, FLORIDA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	General Employees' Plan	Police Officers' Plan	Firefighters' Plan	Total Pension Trust Funds
Additions				
Contributions:				
Employer	\$ 636,389	\$ 208,680	\$ 287,498	\$ 1,132,567
Plan members	20,941	7,037	34,334	62,312
Total contributions	<u>657,330</u>	<u>215,717</u>	<u>321,832</u>	<u>1,194,879</u>
Investment earnings:				
Net appreciation (depreciation) in fair value of investments	(1,658,932)	(819,031)	(723,584)	(3,201,547)
Interest and dividends	157,010	92,621	64,951	314,582
Total investment earnings	(1,501,922)	(726,410)	(658,633)	(2,886,965)
Less: investment expense	(63,520)	(17,500)	(37,261)	(118,281)
Net investment income (loss)	<u>(1,565,442)</u>	<u>(743,910)</u>	<u>(695,894)</u>	<u>(3,005,246)</u>
Total additions	(908,112)	(528,193)	(374,062)	(1,810,367)
Deductions				
Benefit payments and refunds	970,701	256,130	213,871	1,440,702
Administrative expenses	37,881	68,709	54,119	160,709
Total deductions	<u>1,008,582</u>	<u>324,839</u>	<u>267,990</u>	<u>1,601,411</u>
Change in net position	(1,916,694)	(853,032)	(642,052)	(3,411,778)
Net position restricted for pensions, beginning of year	11,946,116	5,407,554	5,032,198	22,385,868
Net position restricted for pensions, end of year	<u>\$ 10,029,422</u>	<u>\$ 4,554,522</u>	<u>\$ 4,390,146</u>	<u>\$ 18,974,090</u>

See notes to financial statements.

SUPPLEMENTARY INFORMATION
FEDERAL SINGLE AUDIT

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

October 23, 2023

To the Mayor and City Commission
City of Starke, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Starke, Florida’s (the “City’s”) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for Federal Awards Programs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with the 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City’s compliance based on our audit. Reasonable assurance is a high level of

assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than not detecting material noncompliance resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

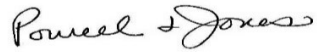
Report on Internal Control over Compliance

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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 cursive script that reads "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
October 23, 2023

**CITY OF STARKE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED 30, 2022**

Grantor / Program Title	Assistance Listing #	Contract Number	Award Amount	Expenditures
Federal Awards				
<i>US Department of Treasury</i>				
Passed through the Florida Department of Emergency Management				
Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5299	\$ 2,715,629	\$ 1,351,983
<i>US Department of Justice</i>				
Public Safety Partnership and Community Policing Grant	16.710	2020UMWX0100	250,000	89,983
Victims of Crime Act	16.575	VOCA-2021-Starke Police	51,983	41,623
Bulletproof Vest Partnership Program	16.607	N/A	2,348	2,348
<i>US Department of Homeland Security</i>				
Federal Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	Z3184 (DR-4673-Hurricane Ian)	11,233	11,233
Total federal awards			<u>\$ 3,031,193</u>	<u>\$ 1,497,170</u>

See notes to schedule of expenditures of federal awards.

**CITY OF STARKE, FLORIDA
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

I. Summary of Significant Accounting Policies

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the City of Starke, Florida have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and NonProfit Organizations and Office of Management and Budget *Uniform Guidance*.

II. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the City of Starke, Florida, and is presented on the 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

III. Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate.

IV. Subrecipients

No federal awards were provided to subrecipients.

V. Schedule of Findings and Questioned Costs

The schedule of findings and questioned costs as required by 2 CFR § 200.516 is presented in the other reports section below.

OTHER REPORTS

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

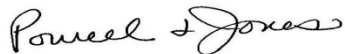
To the Mayor and City Commission
City of Starke, Florida

We have examined the City of Starke, Florida's (the "City") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2022. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

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



Powell and Jones CPA
Lake City, Florida
October 23, 2023

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

To the Mayor and City Commission
City of Starke, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 23, 2023.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

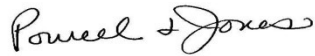
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain material weaknesses and deficiencies in internal control which are presented in the schedule of findings and questioned costs.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Starke, Florida’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

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 cursive script that reads "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
October 23, 2023

**MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Mayor and City Commission
City of Starke, Florida

We have audited the basic financial statements of the City of Starke, Florida (the "City") as of and for the year ended September 30, 2022, and have issued our report thereon dated October 23, 2023, which is unmodified.

We have issued our 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* dated October 23, 2023. Disclosures in these reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that the following be addressed in this letter:

PRIOR YEAR 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. This information is presented in the schedule of findings and questioned costs.

FINANCIAL COMPLIANCE MATTERS

Financial Emergency Status - We have determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment Procedures - As required by the *Rules of the Auditor General*, Sections 10.554(1)(i)7.c and 10.556(7), we applied financial condition assessment procedures to the Council's financial statements. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

We noted no deteriorating financial conditions as defined by Rule 10.554(2)(f).

Recommendations - Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Our recommendations are presented in the schedule of findings and questioned costs.

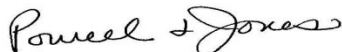
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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.



Powell and Jones CPA
Lake City, Florida
October 23, 2023

**CITY OF STARKE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified	Yes
• Significant deficiencies identified that are not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	None reported

Federal Awards Programs

Internal control over major programs:	
• Material weakness identified	None reported
• Significant deficiencies identified	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)	None reported

Identification of major programs:

Assistance Listing Number

21.027

Name of Program

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

See pages 77 - 78

Section III - Federal Award Findings and Questioned Costs

There were no current findings.

Section IV - Prior Year Findings and Questioned Costs

There were no prior year findings.

Section II – Financial Statement Findings and Recommendations

Current Year Findings and Recommendations:

Findings for Material Weaknesses:

2022-001 Preparation of Schedule of Expenditures of Federal Awards (Previously 2021-007 and 2020-008):

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

2022-002 Capital Asset Tracking and Review (Previously 2021-011 and 2020-012)

During our audit we found that the system for tracking capital assets was not sufficient to ensure control over the assets, physical counts of capital assets as required by rule 69I-73.006 of the Florida Administrative Code had not been conducted, the listing of assets included several old assets that were no longer in service, dispositions of capital assets were not being properly documented, and there were numerous older assets that were fully depreciated which require review to determine whether they are still in service.

Findings for Significant Deficiencies:

2022-003 Pretax Deductions

During our audit we found that employee retirement contributions to the General Employees' Pension Plan, Police Officers' Pension Plan, and Firefighters' Pension Plan were not properly coded in the payroll software as pretax deductions for federal income tax purposes.

Recommendations:

R-2022-001 Pooled Cash (previously 2021-013 and 2020-014)

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.

R-2022-002 Inventory Tracking

During our audit we found that inventory was not being routinely reconciled to the underlying accounting records requiring an adjustment at year end. We recommend that monthly reconciliations between the inventory management software and the accounting software be performed monthly.

R-2022-003 Fund Balance Policy

The City does not have a fund balance policy that specifically addresses governmental funds. We recommend a fund balance policy be established that specifies what the unassigned fund balances should be as a percentage of each fund's expenditures in order to monitor the sufficiency of all of the unassigned fund balances.

Prior Year Findings and Recommendations:

Findings for Material Weaknesses:

2021-001 Reconciliation of Account Balances and Audit Adjustments (previously 2020-001)

Corrective action taken.

2021-002 Journal Entry Review (previously 2020-002)

Corrective action taken.

2021-003 IT Administrator Access, Reviews, and Passwords (previously 2020-003)

Corrective action taken.

2021-004 Utility Billing Review (previously 2020-005)

Corrective action taken.

2021-005 Utility Billing Charges (previously 2020-006)

Corrective action taken.

2021-006 Accounting Policies and Procedures (previously 2020-007)

Corrective action taken.

2021-007 Preparation of Schedule of Expenditures of Federal Awards (previously 2020-008)

Corrective action not taken.

2021-008 Proper Authorization of Disbursements (previously 2020-009)

Corrective action taken.

2021-009 Accrued Annual Leave and Sick Time Policy and Payout

Corrective action taken.

Findings for Compliance and other matters under Government Auditing Standards:

2021-014 Budgetary Noncompliance

Corrective action taken.

Recommendations:

2021-010 Fund Balance Policy (previously 2020-0011)

Corrective action taken.

2021-011 Capital Assets Review (previously 2020-012)

Corrective action not taken.

2021-012 Capital Assets Capitalization (previously 2020-013)

Corrective action taken.

2021-013 Pooled Cash (previously 2020-14)

Corrective action not taken.

Section III – Federal Award Findings and Questioned Costs

Current Year Findings and Questioned Costs:

There were no current year findings or questioned costs.

Prior Year Findings and Questioned Costs:

There were no prior year findings or questioned costs.



City of Starke

CITY OF STARKE, FLORIDA MANAGEMENT'S RESPONSE SEPTEMBER 30, 2022

Scott Roberts
MAYOR

COMMISSIONERS:

Scott Roberts
Janice Mortimer
Danny Nugent
Shannon Smith
Wilbur Waters

CITY CLERK
Jimmy Crosby

POLICE CHIEF
Jeff Johnson

CITY MANAGER
Russell A. Mullins

1. 2022-001 Preparation of Schedule of Expenditures of Federal Awards (previously 2021-007 and 2020-008)

Agree: Management is working to ensure proper schedules are kept in preparation for the audit as well as tracking ongoing grant expenditures to ensure accuracy of financial reporting. The City implemented new ERP software in FY 2023 to assist with better financial reporting.

2. 2022-002 Capital Asset Tracking and Review (previously 2021-011 and 2020-012)

Agree: Management adopted financial policy by resolution 2021-49 on June 1, 2021 to begin steps towards more accurate capital asset tracking and review. In FY 2022, the City began cleaning up old asset records to ensure accuracy of these records, but expect to be finished in FY 2023. Also, the City implemented new ERP software in FY 2023 that will assist in accurately tracking capital asset records.

3. 2022-003 Pretax Deductions

Agree: Management has corrected the pretax deduction issues noted by the Auditors and expects finding to be resolved for the FY 2023 audit. The City has also conducted secondary reviews of existing account records to ensure accuracy going forward.

RECOMMENDATIONS

1. 2022-001 Pooled Cash (previously 2021-013 and 2020-014)

Agree: Management began discussion in FY 2022 to implement a pooled cash system. However, full implementation could not be completed until the completion of our new ERP software transition that was begun in FY 2023.

2. 2022-002 Inventory Tracking

Agree: Management implemented new ERP software in FY 2023 and staff are being trained to correctly monitor inventory.

3. 2022-003 Fund Balance Policy

Agree: Management adopted financial policy by resolution 2021-37 on April 6, 2021. However, this policy did not cover the General fund and needed further updates to be adequate. While the City did not have an adopted fund balance policy that covered all funds, the City made budgetary changes for FY 2023 and FY 2024 to ensure adequate reserves are being kept in all funds.