PALATKA GAS AUTHORITY

(A COMPONENT UNIT OF THE CITY OF PALATKA, FLORIDA)

Financial Statements
For the Year Ended September 30, 2025

Table of Contents

	Page Number
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-22
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	24
Schedule of Proportionate Share of Employer Contribution	25
Schedule of Proportionate Share of Total OPEB Liability and Schedule of Employer Contributions	26
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*	28-30
Schedule of Findings and Responses	30
Independent Accountant's Report on Compliance with Florida Statutes	31
Management Letter	32-34

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Palatka Gas Authority
Palatka, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Palatka Gas Authority (the "Authority"), a component unit of the City of Palatka, Florida (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of the business-type activities of the Authority as of September 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and rules 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 Authority, 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.

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 Authority'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*, and Chapter 10.550, Rules of the Auditor General, 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 Authority'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 Authority'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 analysis and the pension-related and OPEB-related information on pages 4–7 and 24–26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance**.**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 15, 2026, on our consideration of the Authority's, a component unit of the City of Palatka, Florida (the "City"), 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
June 24, 2026

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Management's Discussion and Analysis
September 30, 2025

As management of the Palatka Gas Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's overall net position increased by approximately $597,724 or 8.69%.
- Total ending unrestricted net position was $2,298,241.
- The Authority had total expenses and transfers for the year of $2,709,462 compared to total revenues of $3,307,186 net of cost of goods sold.

Overview of Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the Authority's assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets, deferred outflows, liabilities and deferred inflows – can be used to measure the Authority's financial position.

The second financial statement is the Statement of Revenues, Expenses, and Changes in Net Position. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Authority's financial health is improving or deteriorating. However, other non-financial factors, such as the condition of the natural gas distribution system or changes in the customer base, must also be considered when assessing the overall health of the Authority.

The Statement of Cash Flows reports cash receipts and cash payments, and classifies the Authority's cash transactions in four categories: operating, noncapital financing, capital and related financing, or investing activities.

In these statements, all of the Authority's activities are considered to be business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services. The Authority has no governmental activities.

The following presents condensed data about net position and changes in net position:

Summary of Net Position
September 30, 2025 and 2024

	2025	2024
Assets:		
Current and other assets	$ 6,753,995	$ 5,852,475
Capital assets	5,176,759	5,453,076
Total current assets	11,930,754	11,305,551
Deferred outflows of resources:		
Pension related items	245,491	278,943
OPEB related items	-	19,888
Total deferred outflows of resouces	245,491	298,831
Total assets and deferred outflows of resources	12,176,245	11,604,382
Liabilities:		
Current and other liabilities	3,839,512	3,564,139
Long-term liabilities outstanding	841,845	1,107,143
Total liabilities	4,681,357	4,671,282
Deferred inflows of resources:		
Pension related items	-	31,760
OPEB related items	19,887	24,064
Total deferred inflows of resouces	19,887	55,824
Net position:		
Investment in capital assets	5,176,759	5,453,076
Unrestricted	2,298,241	1,424,200
Total net position	$ 7,475,000	$ 6,877,276
Total liabilities, deferred inflows of resources and net position	12,176,244	11,604,382

Changes in Net Position
For the Years Ended September 30, 2025 and 2024

	2025	2024
Revenues:		
Operating revenues:		
Gas sales	$ 3,025,335	$ 2,870,183
Cost of gas sold	(1,091,781)	(1,098,870)
Other operating revenues	847,040	850,415
Total revenues	2,780,594	2,621,728
Operating expenses		
Personnel services	1,243,062	1,406,181
Other expenses	881,665	1,565,746
Depreciation	351,212	345,209
Total operating expenses	2,475,939	3,317,136
Operating income	304,655	(695,408)
Nonoperating revenues		
Interest revenue	42,734	46,427
Capital contributions	5,700	27,650
Gain on disposal of assets	478,158	350,670
Total nonoperating reveneus	526,592	424,747
Transfer in/(out) to the City of Palatka	(233,523)	(226,468)
Increase (decrease) in net position	597,724	(497,129)
Net position at beginning of year	6,877,276	7,374,405
Net position at end of year	$ 7,475,000	$ 6,877,276

Overall Financial Position and Results of Operations

The net position of the Authority increased by approximately $597,724 or about 8.69%. Sales increased by approximately ($155,152) or (5.41%) and the cost of gas sold decreased by approximately ($7,089) or (.65%). The overall operating expenses for 2025 decreased by approximately ($780,990) or (23.54%). In prior year the authority incurred cost related to the retirement of a CNG plant. Similar cost were not incurred in 2025 resulting in a decrease in operating costs.

Capital Assets and Debt Administration

Capital Assets

Major additions during the year include the continued installation of smart meters and service lines.

Please refer to Note 4 to the accompanying financial statements entitled *Capital Assets* and *Depreciation* for more detailed information about the Authority's capital asset activity.

Capital Assets (Net of Depreciation)
September 30, 2025 and 2024

	2025	2024
Land	$ 211,543	$ 211,543
Building and Improvements	822,989	849,852
Furniture and Equipment	1,182,234	846,703
Plant Assets and Equipment	2,959,992	3,544,980
Total capital assets	$ 5,176,759	$ 5,453,078

Long-term Debt

The Authority did not issue any new debt during the year and had no long-term debt outstanding during the year. Long-term liabilities consist of pension and OPEB liabilities. See Financial Statement Note 5 for more information on these long-term liabilities.

Economic Factors and Next Year's Budgets and Rates

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

Request for Information

This financial report is designed to provide our customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brett Dennis, Manager, Post Office Box 978, Palatka, Florida 32178-0978.

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Statement of Net Position
As of September 30, 2025

Palatka Gas Authority
Statement of Net Position
September 30, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	$ 4,313,847	$ 3,490,619
Investments	-	-
Accounts receivable, net	1,194,426	1,135,169
Inventory	141,479	134,655
Total current assets	5,649,752	4,760,443
Restricted assets		
Investments restricted for customer deposits	1,104,243	1,092,032
Noncurrent assets		
Capital assets:		
Non-depreciable	211,543	211,543
Depreciable, net	4,965,216	5,241,533
Total noncurrent assets	5,176,759	5,453,076
Total Assets	11,930,754	$ 11,305,551
Deferred outflows of resources:		
Pension related items	245,492	278,943
OPEB related items	-	19,888
Total deferred outflows of resouces	245,492	298,831
Total assets and deferred outflows of resources	$ 12,176,246	$ 11,604,382
Liabilities:		
Accounts payable and accrued liabilities	$ 148,351	$ 178,623
Due to the City of Palatka	2,149,692	1,907,144
Deposits	700,563	637,466
Deposits - City	840,906	840,906
Noncurrent liabilities:		
Due within one year	-	-
Due in more than one year	841,845	1,107,143
Total liabilities	4,681,357	4,671,282
Deferred inflows of resources:		
Pension related items	-	31,760
OPEB related items	19,887	24,064
Total deferred inflows of resouces	19,887	55,824
Net position:		
Invested in capital assets	5,176,759	5,453,076
Unrestricted	2,298,241	1,424,200
Total net position	7,475,000	$ 6,877,276
Total liabilities, deferred inflows of resources and net position	$ 12,176,244	$ 11,604,382

The accompanying notes are an integral part of the financial statements

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2025

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2025

	2025	2024
Operating revenues		
Gas sales	$ 3,025,335	$ 2,870,183
Cost of gas sold	(1,091,781)	(1,098,870)
Gross profit	1,933,554	1,771,313
Other operating revenues	847,040	850,415
Total operating revenues, net	2,780,594	2,621,728
Operating expenses		
Personnel services	1,243,062	1,406,181
Plant, Administrative and Maintenance expenses	881,665	1,565,746
Depreciation	351,212	345,209
Total expenses	2,475,939	3,317,136
Operating (Loss) Income	304,655	(695,408)
Nonoperating revenues		
Investment earnings	42,734	46,427
Capital contributions	5,700	27,650
Other	478,158	350,670
Total nonoperating revenues	526,592	424,747
Income before transfers	831,247	(270,661)
Transfer to the City of Palatka	(233,523)	(226,468)
Net change in net position	597,724	(497,129)
Net position - beginning of year	6,877,276	7,374,405
Net position - end of year	$ 7,475,000	$ 6,877,276

The accompanying notes are an integral part of the financial statements

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Statement of Cash Flows
Year Ended September 30, 2025

Statement of Cash Flows
Year Ended September 30, 2025

	2025	2024
Cash flows from operating activities:		
Receipts from customers	$ 2,717,642	$3,422,593
Payments to suppliers	(613,116)	(1,439,357)
Payments to employees	(1,490,958)	(1,230,369)
Net cash provided by operating activities	$ 613,568	$ 752,867
Cash flows from non-capital financing activities:		
Transfer - City of Palatka	(233,523)	(226,468)
Net cash provided by capital and related financing activities	(233,523)	(226,468)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(222,718)	(610,641)
Capital contributions	5,700	27,650
Net cash (used in) capital and related financing activities	(217,018)	(232,321)
Cash flows from investing activities:		
Proceeds from other investing activties	629,678	350,670
Interest Income	30,523	16,528
Net cash provided by investing activities	660,201	367,198
Net increase in cash and cash equivalents	823,228	310,606
Cash and cash equivalents at beginning of year	3,490,619	2,414,192
Cash and cash equivalents at end of year	$ 4,313,847	$ 2,724,798
Cash flows from operating activities:		
Operating income	$ 304,655	(695,408)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	351,212	345,209
Change in assets and liabilities:		
Decrease in receivables, net	(59,257)	103,427
(Increase) in inventory	(6,824)	(13,581)
Decrease in deferred outflows	53,339	(42,765)
(Decrease) in accounts payable and accrued liabilities	212,276	173,618
Increase in deposits	63,097	(33,648)
Increase in total OPEB liability	1,399	191,842
(Decrease) in net pension liability	(266,697)	37,514
(Decrease) in deferred inflows	(35,937)	
Gain on disposal of capital assets	(3,695)	697,438
Net cash provided by / (used in) operating activities	$ 613,568	$ 752,867

The accompanying notes are an integral part of the financial statements

NOTE 1 – REPORTING ENTITY

The Palatka Gas Authority (the "Authority") was created by an Act of the Florida Legislature (Ch. 59-1679, Act 1959) and ratified by election on November 10, 1959. The Authority was created to manage and operate a natural gas utilities system. The five members of the Authority's governing board are appointed by the Commissioners of the City of Palatka (the "City") and serve for terms of three years. For financial reporting purposes, the Authority is considered a component unit of the City.

The Authority follows the guidance of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, to evaluate the reporting entity for potential component units that may be required to be included in the Authority's financial statements. Based on those guidelines, there are no entities which meet the criteria for inclusion in the Authority's financial statements.

The Authority did not participate in any joint ventures during the 2024-2025 fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The most significant Authority's accounting policies are described below.

Basis of Presentation

The financial transactions of the Authority are reported as a proprietary fund type, Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private-sector business enterprises.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Measurement Focus and Basis of Accounting

The Authority utilizes the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments consist of certificates of deposit and are reported at cost, which approximates fair value.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectible accounts, where appropriate. Accounts receivable of the Authority is net of a $14,465 allowance.

Inventory

Inventory is stated at cost, based on the weighted average method.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at estimated acquisition value at the date of contribution. The Authority uses a capitalization threshold of $1,000 for all classes of capital assets.

Land and construction work-in-progress are not depreciated. For depreciable capital assets, depreciation expense is provided using the straight-line method over the estimated useful lives of the assets which range as follows:

	Years
Buildings and improvements	40
Plant assets and equipment	25 - 40
Furniture and equipment	5 -10

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is a consumption of resources that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of resources that is applicable to a future reporting period.

Pensions

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

Post-Employment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the information about OPEB-related amounts have been determined on the same basis as they are reported by the City of Palatka. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Due to City of Palatka/Deposits-City

In May 2017, the Authority began processing the billings and collections for the City's utilities services as authorized under Code 166(b) and 168. The Authority remits the collections monthly to the City. In conjunction with this service, the Authority also administers the associated customer deposits.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

All of the Authority's deposits, including its certificates of deposit, are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal deposit insurance or collateralized pursuant to the Florida Security for Public Deposits Act. State Statutes authorize the Authority to invest excess public funds in direct obligations of the U.S. Treasury, savings accounts and certificates of deposit in qualified public depositories, the Local Government Surplus Funds Trust Fund, and Securities and Exchange Commission registered money market funds with the highest credit quality rating.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended September 30, 2025 follows:

	Balance October 1, 2024	Additions	Deletions	Transfers	Balance September 30, 2025
Capital assets not being depreciated:					
Land	$ 211,543	$ -	$ -	$ -	$ 211,543
Total not being depreciated	211,543	-	-	-	211,543
Capital assets being depreciated:					
Buildings and improvements	1,467,709	10,540	-	-	1,478,249
Furniture and equipment	1,839,077	39,696	(137,322)	-	1,741,451
Plant assets and equipment	7,230,453	172,482	(613,014)	-	6,789,921
Total being depreciated	10,537,239	222,718	(750,336)	-	10,009,621
Less accumulated depreciation for:					
Buildings and improvements	617,857	37,403	-	-	655,260
Furniture and equipment	992,374	143,715	(576,872)		559,217
Plant assets and equipment	3,685,473	144,456	-	-	3,829,929
Total accumulated depreciation	5,295,704	325,574	(576,872)	-	5,044,405
Total being depreciated, net	5,241,535	(102,856)	(173,464)	-	4,965,216
Gas Authority capital assets, net	$ 5,453,078	$ (102,856)	$ (173,464)	$ -	$ 5,176,759

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year was as follows:

	Balance October 1, 2024	Additions	Deletions	Balance September 30, 2025	Due Within One Year
Net pension liability	$ 1,048,678		$ 266,697	$ 781,981	$ -
Total OPEB liability	58,465	1,399		$ 59,864	-
Totals	$ 1,107,143	$ 1,399	$ 266,697	$ 841,845	$ -

NOTE 6 – TRANSFER TO CITY OF PALATKA

Ordinance 16-03 establishes that within 30 days following the end of each calendar month, the Authority will transfer a base line of 5.9% of gross revenues associated with sale of natural gas. For fiscal year 2025, the Authority transferred $233,523 to the City.

NOTE 7 – PENSION PLAN

Plan Description

The Authority participates in a defined benefit pension plan administered by the City of Palatka Pension Board of Trustees (the "Plan"). From the perspective of the Authority, the Authority reports pension-related activity as if it were a cost sharing employer. The Plan provides for disability, retirement and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. The General Pension Board consists of five members, including the City Manager, two City Commission appointees, one member elected by a majority of the other covered General employees, and one citizen having financial experience appointed by the City Commission. The Board of Trustees may amend provisions of the Plan, however, provisions of the Plan are subject to minimum requirements established in Chapter 112, Florida Statutes. The Plan does not issue a separate financial report. Financial statements and required supplementary information of the Plan are included in the City of Palatka's Comprehensive Annual Financial Report. That report may be obtained by writing to the City of Palatka, 201 North 2nd Street, Palatka, Florida 32177, calling (386) 329-0100 or at www.palatka-fl.gov.

Contributions

The rates at September 30, 2025 were 30.70% for the Authority and 6.0% for employees. The Authority's contributions to the Plan for the year ended September 30, 2025 were $285,042.

Benefits Provided

The Plan provides for vesting of benefits after 7 years of credible service. General Plan Members are eligible for retirement at the earlier of: 1) age 55 and 7 years of credited service, or 2) 30 years of credited service regardless of age. Annual benefits for the plan year beginning October 1, 2014, are equal to total years of service times 2.5% of final average compensation (highest 3 consecutive years of the last 5). The minimum benefit for duty disability is 45% of final average compensation. The minimum benefit for non-duty disability for all members is 25% of final average compensation. A member who terminates with less than 7 years' service may withdraw his or her member contributions.

NOTE 7 – PENSION PLAN (CONTINUED)

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

The Authority allocated a proportional share of 13.89% of the net pension liability of the Plan based on an allocation proportional to the contribution requirements. This basis is intended to measure the proportion of each employer's long-term funding requirements. The Authority's share of the net pension liability is $781,981 as of September 30, 2025.

The Authority's net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated October 1, 2024, and rolled forward to that date.

For the year ended September 30, 2025, the Authority's recognized pension expense is $207,725.

At September 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources -	Deferred Inflows of Resources -
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Difference between projected and actual earnings on pension plan investments (net)	245,492	-
Total	$ 245,492	$ -

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NOTE 7 – PENSION PLAN (CONTINUED)

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

Year ending September 30:		Palatka Gas Authority
2026		227,766
2027		(214,752)
2028		(214,376)
2029		(44,129)
Thereafter		-
Total	$	(245,492)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2024, applicable to September 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

	General
Investment rate of return	7.40%
Projected salary increases*	Service based
* Includes inflation at	2.50%
Discount rate	7.40%

Mortality assumptions for the plan was based on the Mortality Improvement Scale MP-2018.

The most recent actuarial experience study for which significant assumptions are based upon was dated October 1, 2024.

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

NOTE 7 – PENSION PLAN (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocations as of September 30, 2025 are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Asset class:	General	All Plans
Domestic equity	52.0%	7.8%
Internation equity	8.0%	3.8%
Bonds	20.0%	1.8%
High yields bonds	4.0%	4.2%
Convertibles	5.0%	6.3%
Private Real Estate	5.0%	5.4%
Infrastructure	5.0%	6.4%
Cash	1.0%	-0.1%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability is 7.40%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the 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 the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the net pension liability of the Authority's portion of the Plan, calculated using the discount rate of 7.40%, as well as what the Plan net position liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

NOTE 7 – PENSION PLAN (CONTINUED)

	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
Net Pension Liability	$ 774,161	$ 781,981	$ 789,801

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is included in the 2025 Annual Comprehensive Financial Report of the City of Palatka, Florida.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Other Post-Employment Benefits Plan – Plan Description

Authority employees are provided with OPEB through the City of Palatka OPEB Plan ("the OPEB Plan"), a single employer defined benefit postemployment health care plan administered by the City of Palatka Commissioners ("the City"). From the perspective of the Authority, the Authority reports OPEB-related activity as if it were a cost sharing employer. The City can amend the benefit provisions provided by the OPEB Plan. The City has not established a qualifying trust for the OPEB Plan. A separate stand-alone financial statement for the OPEB Plan is not prepared.

Benefits Provided

The OPEB Plan provides an implicit health insurance subsidy for retirees of the City and the Authority. The Plan allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical insurance coverage as a participant in the City's health insurance plan. The retiree pays 100% of the blended group rate premium therefore receiving an implicit subsidy.

Contributions

The contribution requirements of plan members and the participating employers are established and may be amended by the City. The Authority's required contribution, actuarially determined, is based on a combination of projected pay-as-you-go financing, with an additional amount to prefund benefits when earned. Contributions are not based on a measure of pay. The Authority's contractually required contribution for the year ended September 30, 2025, was $3,588. Actual contributions to the OPEB Plan from the Authority were $3,588 for the year ended September 30, 2025. Authority retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2025, the Authority reported a liability of $59,794 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2025, and was determined by an actuarial valuation as of October 1, 2024. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation date. The Authority's proportion of the total OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB Plan as compared to the total projected long-term contribution effort of all employers. At September 30, 2025, the Authority's proportion of total OPEB liability was 6.44%. For the year ended September 30, 2025, the Authority recognized OPEB expense of $0.

At September 30, 2025, the Authority 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	$ -	$ -
Changes of assumptions	-	19,887
Total	$ -	$ 19,887

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

Year ending September 30,	Palatka Gas Authority
2026	$ (6,337)
2027	$ (6,053)
2028	$ (3,673)
2029	$ (3,589)
2030	$ (235)
Thereafter	$ -
Total	$ (19,887)

NOTE 8 – OTHER POSTTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability in the October 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	4.50%
Initial trand rate	8.50%
Ultimate trend rate	4.00%
Years to ultimate	51
All mortality rates were based on the Pub-2010 mortality tabl	

An actuarial experience study has not yet been performed for the plan.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.50%. The discount rate is based on the high-quality municipal bond rate, defined as the S&P Municipal 20 Year High Grade Rate Index as published by the S&P Municipal Bond Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the total OPEB liability, as well as what the Authority's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent point higher than the current discount rate:

	1% Decrease 3.50%	Current Discount Rate 4.50%	1% Increase 5.50%
Total OPEB liability	$ 59,196	$ 59,794	$ 60,392

NOTE 9 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to general liability, auto liability, and property damage. To manage its risk, the Authority participates in the Florida League of Cities Self Insurance Fund (the "Fund") a public entity risk pool currently operating as a common risk management and insurance program for member cities. The Authority pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The Authority also carries additional insurance coverage for general liabilities. The Authority's settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued several pronouncements that are effective for these financial statements. These are:

GASB Statement 91 – Conduit Debt Obligations
GASB Statement 99 – Omnibus 2022
GASB Statement 100 – Accounting Changes and Error Corrections
GASB Statement 101 – Compensated Absences

Management has ascertained that none of these professional pronouncements effective for this year had any discernable impact on the Authority.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through June 18, 2026, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.

Required Supplementary Information

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Schedule of Proportionate Share of Net Pension Liability
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	18.40%	16.10%	31.78%	34.05%	22.10%	21.10%	21.10%	23.09%	18.00%	18.48%
Employer's proportion share of the net pension liability	$ 781,981	$ 904,595	$ 856,837	$ 904,595	$ 1,106,824	$ 926,179	$ 1,654,199	$ 1,594,532	$ 1,173,621	$ 1,096,398
Employer's covered payroll	$ 928,426	$ 881,826	$ 445,297	$ 828,231	$ 818,484	$ 778,484	$ 735,608	$ 726,984	$ 575,526	$ 541,519
Employer's proportion share of the net pension liability as a percentage of its covered payroll	84.23%	102.58%	192.42%	109.22%	135.23%	118.97%	224.88%	219.34%	203.92%	202.47%
Plan fiduciary net position as a percentage of the total pension liability	81.60%	77.70%	65.95%	65.95%	72.21%	77.67%	69.99%	72.63%	74.03%	74.59%

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Schedule of Proportionate Share of Employer Contributions
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually requirerd contribution	$ 178,405	$ 324,512	$149,620	$ 294,850	$ 265,665	$ 285,704	$ 221,610	$ 200,027	$ 133,036	$ 125,639
Contrbution in relation to the actuarially determined contributions	178,345	324,512	145,852	300,109	265,665	285,704	221,610	200,027	133,036	125,639
Contribtion deficiency (excess)	$ 60	$ -	$3,768	$ (5,259)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 928,426	$ 881,826	$ 445,297	$ 828,231	$ 778,484	$ 778,484	$ 735,608	$ 726,984	$ 575,526	$ 541,519
Contributions as a percentage of covered payroll	19.21%	36.80%	32.75%	36.23%	36.70%	36.70%	30.13%	27.51%	23.12%	23.20%

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Schedule of Proportionate Share of Total OPEB Liability
and
Schedule of Employer Contributions
Year Ended September 30, 2025
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the total OPEB liability	13.05%	9.67%	9.67%	8.40%	8.40%	8.40%	8.40%	8.40%
Employer's proportionate share of the total OPEB liability	$ 59,794	$ 69,244	$ 69,244	$ 66,144	$ 67,429	$ 67,429	$ 58,496	$ 48,271

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	3,588	4086	4,086	4,278	1,734	1,531	1,258	1,999
Contributions in relation to the contractually required contribution	3,588	4086	4,086	4,278	1,734	1,531	1,258	1,999
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Compliance Section

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 Board of Directors
Palatka Gas Authority
Palatka, 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 business type activities of the Palatka Gas Authority (the "Authority'), a component unit of the City of Palatka, Florida (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's, basic financial statements, and have issued our report thereon dated June 24, 2026.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we considered to be material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

and material effect on the 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.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
June 24, 2026

Palatka Gas Authority
(A component unit of the City of Palatka, Florida)
Schedule of Findings and Responses
Year Ended September 30, 2025

I. Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued: ***Unmodified***

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes _X_ No
- Significant deficiency(s) ____ Yes _X_ None reported

Noncompliance material to financial statements noted? ___ Yes _X_ No

Section II – Prior Year Financial Statement Findings

None.

Section III – Current Year Audit Findings

None.

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors of the
Palatka Gas Authority
Palatka, Florida

We have examined the Palatka Gas Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2025. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements references above. An examination involves performing procedures to obtain evidence of whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination of the Authority's compliance with the specified requirements.

In our opinion, the Authority complied in all material respects, with Section 218.415, Florida Statutes, for the fiscal year ended September 30, 2025.

This report is intended solely to describe our testing of compliance with Section 218.415, Florida Statutes, and it is not suitable for any other purpose.

HCT Certified Public Accountants & Consultants, LLC
Hollywood, Florida
June 24, 2026

MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors of the
Palatka Gas Authority
Palatka, Florida

Report on the Financial Statements

We have audited the financial statements of the Palatka Gas Authority (the "Authority"), a component unit of the City of Palatka, Florida (the "City") as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 24, 2026**.**

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 24, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no such findings identified.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Authority was created by an Act of the Florida legislature (Ch. 59-1679, Act 1959) and ratified by election on November 10, 1959. The Palatka Gas Authority *has no* component units.

Financial Condition and Management

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

Florida Statutes.

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the Palatka Gas Authority must make a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the Palatka Gas Authority geographical boundaries during the fiscal year under audit. There was no PACE Program operating within the Authority.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Sections 218.39(3)(c) and 218.39 (3)(b) Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Authority reported:

a. The total number of district employees compensated in the last pay period of the district's fiscal year was 17 employees.
b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 2.
c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as $984,039.86.
d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $25,584.
e. Each construction project with a total cost of at least $25,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as $499,112.99.
f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year, being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as $211,425.75 over budget mostly due to the sale of a boring machine for $100,250.

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

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

HCT Certified Public Accountants & Consultants, LLC
Hollywood, Florida
June 24, 2026