

**PALATKA GAS AUTHORITY**  
(A COMPONENT UNIT OF THE CITY OF PALATKA)

---

**Audit Report**  
**For the Year Ended September 30, 2020**



**HCT Certified Public Accountants and Consultants, LLC**

**3816 Hollywood Boulevard, Suite 203**

**Hollywood, Florida 33021**

**Telephone: (954) 966-4435**

**Facsimile: (954) 962-7747**

# Table of Contents

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Fund Net Position	:
Statement of Cash Flows	;
Notes to Financial Statements	12-25
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	26
Schedule of Proportionate Share of Employer Contribution	27
Schedule of Proportionate Share of Total OPEB Liability and Schedule of Employer Contributions	28
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 <i>Government Auditing Standards</i>	29-2:
Schedule of Findings and Questions Costs	29-30
Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes	31
Management Letter	32-33

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Palatka Gas Authority

We have audited the accompanying financial statements of the Palatka Gas Authority (the "Authority"), a component unit of the City of Palatka, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palatka Gas Authority as of September 30, 2020, and the changes in financial position, and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension-related and OPEB-related information on pages 3–7 and 25–27 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 23, 2021 on our consideration of the City's internal control over financial reporting and on our test 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 City'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 City's internal control over financial reporting and compliance.

*HCT Certified Public Accountants & Consultants, LLC*

Hollywood, Florida

June 23, 2021

**Palatka Gas Authority  
Management's Discussion and Analysis  
September 30, 2020**

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, 2020. 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 decreased by approximately \$3,000 or .07%.
- Total ending unrestricted net position was (\$216,204).
- The Authority had total expenses and transfers for the year of about \$2,191,486 compared to revenues of approximately \$2,187,544, 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 remainder of this page was left blank intentionally**

**Palatka Gas Authority**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

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

**Palatka Gas Authority**  
**Summary of Net Position**  
**September 30, 2020 and 2019**

	2020	2019
<b>Assets:</b>		
Current and other assets	\$ 4,547,273	\$ 3,052,786
Capital assets	5,817,923	5,913,815
<b>Total assets</b>	<b>10,365,196</b>	<b>8,966,601</b>
<b>Deferred outflows of resources:</b>		
Pension related items	236,300	236,300
OPEB related items	13,701	4,709
<b>Total deferred outflows of resources</b>	<b>250,001</b>	<b>241,009</b>
<b>Liabilities:</b>		
Current and other liabilities	3,362,398	1,847,912
Long-term liabilities outstanding	1,621,906	1,750,930
<b>Total liabilities</b>	<b>4,984,304</b>	<b>3,598,842</b>
<b>Deferred inflows of resources:</b>		
Pension related items	20,646	-
OPEB related items	8,528	3,107
<b>Total deferred inflows of resources</b>	<b>29,174</b>	<b>3,107</b>
<b>Net position:</b>		
Invested in capital assets (net of related debt)	5,817,923	5,913,815
Unrestricted	(216,204)	(308,154)
<b>Total net position</b>	<b>\$ 5,601,719</b>	<b>\$ 5,605,661</b>

**Palatka Gas Authority  
Management's Discussion and Analysis (Continued)  
September 30, 2020**

**Palatka Gas Authority  
Changes in Net Position  
For the Years Ended September 30, 2020 and 2019**

	2020	2019
<b>Revenues:</b>		
Operating revenues:		
Gas sales	\$ 2,095,840	\$ 2,388,504
Cost of gas sold	(630,093)	(687,637)
Other operating revenues	698,171	780,257
<b>Total revenues</b>	<b>2,163,918</b>	<b>2,481,124</b>
<b>Operating expenses:</b>		
Personal services	1,049,916	1,075,444
Other expenses	660,076	967,035
Depreciation	300,291	308,714
<b>Total operating expenses</b>	<b>2,010,283</b>	<b>2,351,193</b>
<b>Operating income</b>	<b>153,635</b>	<b>129,931</b>
<b>Nonoperating revenues</b>		
Interest revenue	17,595	16,741
Gain on disposal of assets	6,031	125
<b>Total nonoperating revenues</b>	<b>23,626</b>	<b>16,866</b>
Transfer (out) to the City of Palatka	(181,203)	(176,449)
Increase (decrease) in net position	(3,942)	(29,652)
Net position at beginning of year	5,605,661	5,635,313
Net position at end of year	<b>\$ 5,601,719</b>	<b>\$ 5,605,661</b>

**Overall Financial Position and Results of Operations**

The net position of the Authority decreased by approximately \$3,000 or about .07%. Sales decreased by \$292,664 or 12.25% and the cost of gas sold decreased by \$57,544 or 8.37%. However, overall operating expenses for 2020 decreased by approximately \$340,000 or 14.50% over 2019. This decrease was primarily related to decreased in spending due to the economic shut down starting March 2020.

**Palatka Gas Authority**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2020**

**Capital Asset and Debt Administration**

**Capital Assets**

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

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

***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 compensated absences and pension 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**  
**Statement of Net Position**  
**As of September 30, 2020**

**Assets**

Current assets	
Cash and cash equivalents	\$ 1,361,343
Investments	747,203
Accounts receivable, net	1,308,143
Inventory	70,537
Total current assets	3,487,226
Restricted assets	
Investments restricted for customer deposits	1,060,047
Noncurrent assets	
Capital assets:	
Non-depreciable	211,543
Depreciable, net	5,606,380
Total noncurrent assets	5,817,923
Total Assets	\$ 10,365,196
Deferred outflows of resources	
Pension related	236,300
OPEB related	13,701
Total deferred outflows of resources	250,001
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 64,851
Due to City of Palatka	2,078,291
Total current liabilities	2,143,142
Current liabilities:	
Deposits	378,350
Deposits - City	840,906
Total current liabilities	1,219,256
Noncurrent liabilities:	
Due within one year	21,727
Due in more than one year	1,600,179
Total noncurrent liabilities	1,621,906
Total liabilities	4,984,304
Deferred inflows of resources	
Pension related	20,646
OPEB related	8,528
Total deferred inflows of resources	29,174
Net position	
Net investment in capital assets	5,817,923
Unrestricted	(216,204)
Total net position	\$ 5,601,719

The accompanying notes are an integral part of the financial statements

**Palatka Gas Authority**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Position**  
**Year Ended September 30, 2020**

<b>Operating revenues</b>	
Gas sales	\$ 2,095,840
Cost of gas sold	(630,093)
	1,465,747
Gross profits	1,465,747
Other operating revenues	698,171
	2,163,918
	2,163,918
<b>Operating expenses</b>	
Personal services	1,049,916
Other expenses	660,076
Depreciation	300,291
	2,010,283
Total expenditures	2,010,283
	2,010,283
<b>Operating income</b>	153,635
	153,635
<b>Nonoperating revenues</b>	
Investment earnings	17,595
Gain on disposal of assets	6,031
	23,626
Total nonoperating revenues	23,626
	23,626
Income (loss) before transfers	177,261
	177,261
Transfer to the City of Palatka	(181,203)
Net change in net position	(3,942)
	(3,942)
Net position - beginning of year	5,605,661
Net position - end of year	\$ 5,601,719
	\$ 5,601,719

The accompanying notes are an integral part of the financial statements

**Palatka Gas Authority**  
**Statement of Cash Flows**  
**Year Ended September 30, 2020**

Cash flows from operating activities:	
Receipts from customers	\$ 2,632,072
Payments to suppliers	(679,871)
Payments to employees	(1,179,680)
Net cash provided by (used in) operating activities	<u>772,521</u>
Cash flows from non-capital financing activities:	
Transfer to City of Palatka	<u>(181,203)</u>
Cash flows from capital and related financing activities:	
Acquisition and construct of capital assets	(224,705)
Proceeds from sale of capital assets	6,031
Net cash provided by (used in) capital and related financing activities	<u>(218,674)</u>
Cash flows from investing activities:	
Acquisition of investments	433,718
Interest received	17,595
Net cash provided by investing activities	<u>451,313</u>
Net increase (decrease) in cash and cash equivalents	823,957
Cash and cash equivalents at beginning of year	537,386
Cash and cash equivalents at end of year	<u>\$ 1,361,343</u>
Cash flows from operating activities:	
Operating income	\$ 153,635
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	300,291
Change in assets and liabilities:	
(Increase) decrease in receivables, net	(1,107,401)
(Increase) decrease in inventory	24,199
(Increase) decrease in deferred outflows	(8,992)
Increase (decrease) in accounts payable and accrued liabilities	1,404,921
Increase (decrease) in deposits	109,565
Increase (decrease) in compensated absences	(21,727)
Increase (decrease) in total OPEB liability	8,933
Increase (decrease) in net pension liability	(116,970)
Increase (decrease) in deferred inflows	26,067
Net cash provided by (used in) operating activities	<u>\$ 772,521</u>

The accompanying notes are an integral part of the financial statements

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**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 2019-2020 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 more significant of the 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.

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**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 \$15,659 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:

	<u>Years</u>
Buildings and improvements	40
Plant assets and equipment	25 - 40
Furniture and equipment	5 - 10

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**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.

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**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, 2020 follows:

	Balance October 1, 2019	Additions	Deletions	Transfers	Balance September 30, 2020
Gas Authority capital assets					
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	1,430,789	36,920	-	-	1,467,709
Furniture and equipment	1,179,137	41,397	-	-	1,220,534
Plant assets and equipment	7,074,655	146,388	-	-	7,221,043
Total being depreciated	9,684,581	224,705	-	-	9,909,286
Less accumulated depreciation for:					
Buildings and improvements	430,747	39,789	-	-	470,536
Furniture and equipment	806,868	105,062	-	-	911,930
Plant assets and equipment	2,744,694	175,746	-	-	2,920,440
Total accumulated depreciation	3,982,309	320,597	-	-	4,302,906
Total being depreciated, net	5,702,272	(95,892)	-	-	5,606,380
Gas Authority capital assets, net	\$ 5,913,815	\$ (95,892)	\$ -	\$ -	\$ 5,817,923

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 5 – CHANGES IN LONG-TERM LIABILITIES**

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

	Balance October 1, 2019	Additions	Deletions	Balance September 30, 2020	Due Within One Year
Net pension liability	\$ 1,654,199	\$ -	\$ 116,970	\$ 1,537,229	\$ -
Total OPEB liability	58,496	8,933	-	67,429	-
Compensated absences	38,975	-	21,727	17,248	21,727
<b>Totals</b>	<b>\$ 1,751,670</b>	<b>\$ 8,933</b>	<b>\$ 138,697</b>	<b>\$ 1,621,906</b>	<b>\$ 21,727</b>

**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 2020, the Authority transferred \$181,203 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](http://www.palatka-fl.gov).

**Contributions**

The rates at September 30, 2020 were 25.22% for the Authority and 6.0% for employees. The Authority’s contributions to the Plan for the year ended September 30, 2020 were \$285,704.



**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**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.

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

The Authority allocated a proportional share of 21.10% 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 \$1,554,477 as of September 30, 2020.

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated October 1, 2019 and rolled forward to that date.

For the year ended September 30, 2020, the Authority's recognized pension expense is \$244,138.

At September 30, 2020, 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	\$ 52,814	\$ -
Changes of assumptions	17,546	20,646
Difference between projected and actual earnings on pension plan investments (net)	98,693	-
<b>Total</b>	<b>\$ 169,053</b>	<b>\$ 20,646</b>

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**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,	
2021	\$ 81,409
2022	43,179
2023	24,831
2024	(831)
2025	-
Thereafter	-
Total	\$ 148,589

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2019, applicable to September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%
Projected salary increases*	Service based
* Includes inflation at	2.7%
Discount rate	7.5%

Mortality assumptions for the plan was based on the Generational RP-2000 with Projection Scale AA.

The most recent actuarial experience study for which significant assumptions are based upon was dated September 20, 2018.

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.

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**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, 2018 are summarized in the following table:

<b>Asset class:</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
	General	All Plans
Domestic equity	27.0%	8.50%
Internation equity	15.0%	4.10%
Bonds	34.0%	3.70%
High yields bonds	5.0%	6.40%
Convertibles	8.0%	7.90%
REITS	5.0%	7.90%
Infrastructure	5.0%	6.40%
Cash	1.0%	0.50%
<b>Total</b>	<b>100%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability is 7.50%. 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 7.50%, 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:

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Net Pension Liability	\$ 2,136,447	\$ 1,554,477	\$ 1,063,191

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is included in the 2020 Comprehensive Annual Financial Report of the City of Palatka, Florida.

**NOTE 8 – OTHER POSTEMPLOYMENT 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, 2020, was \$1,531. Actual contributions to the OPEB Plan from the Authority were \$1,531 for the year ended September 30, 2020. Authority retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

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

At September 30, 2020, the Authority reported a liability of \$67,429 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2020, and was determined by an actuarial valuation as of October 1, 2019. 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, 2020, the Authority's proportion of total OPEB liability was 8.40%. For the year ended September 30, 2018, the Authority recognized OPEB expense of \$7,750.

At September 30, 2020, 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	\$ -	\$ 6,199
Changes of assumptions	13,701	2,329
Total	\$ 13,701	\$ 8,528

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,	
2021	\$ 913
2022	913
2023	913
2024	1,689
2025	746
Thereafter	-
Total	\$ 5,174

**Palatka Gas Authority  
Notes to Financial Statements  
Year Ended September 30, 2020**

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Actuarial Methods and Assumptions**

The total OPEB liability in the October 1, 2019 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	2.14%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	55

All mortality rates were based on the RP-2000 mortality tables.

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 4.18%. The discount rate is based on the high-quality municipal bond rate, defined as the Bond Buyer 20-Bond Index as published by the Federal Reserve.

**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	Current Discount Rate	1% Increase
	1.14%	2.14%	3.14%
Total OPEB liability	\$ 75,007	\$ 67,429	\$ 60,811

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend 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 healthcare cost trend rates that are one percent lower or one percent point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	3.00% - 6.50%	4.00% - 7.50%	5.00% - 8.50%
Total OPEB liability	\$ 58,945	\$ 67,429	\$ 77,503

**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 – COMMITMENTS, CONTEGENCIES, AND UNCERTAINTIES**

The Authority evaluated its September 30, 2020 financial statements for subsequent events through the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen and will likely have a negative impact to financial operations; although such potential impact is unknown at this time.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events to determine if events or transactions occurring through June 23, 2021, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.

**NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS**

A brief description of new accounting pronouncements that might have a significant impact on the City’s financial statements is presented below. Management is currently evaluating the impact of the adoption of these pronouncements on the City’s financial statements.

**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2021.

In May 2017, the GASB issued Statement No. 87, Leases. This Statement will increase 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 that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2022.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the fiscal year ending September 30, 2022.

In August 2018, the GASB issued Statement No. 90, Major Equity Interests. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2021.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for the fiscal year ending September 30, 2023.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to (1) intra-entity transfers of assets and those related to the applicability of Statements 73 and 74; (2) application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities; and (3) the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.



**Palatka Gas Authority**  
**Notes to Financial Statements**  
**Year Ended September 30, 2020**

**NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This Statement is designed to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement is effective for the fiscal year ending September 30, 2021. Additionally, in March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This Statement is designed to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for the fiscal year ending September 30, 2022.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for the fiscal year ending September 30, 2022.

In May 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement provides guidance on to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for the fiscal year ending September 30, 2021.

# **Required Supplementary Information**

**Palatka Gas Authority**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Year Ended September 30, 2020**  
**Last 10 Fiscal Years\***

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	21.10%	21.10%	23.09%	18.00%	18.48%	18.17%
Employer's proportion share of the net pension liability	\$ 926,179	\$ 1,654,199	\$ 1,594,532	\$ 1,173,621	\$ 1,096,398	\$ 926,176
Employer's covered payroll	\$ 778,484	\$ 735,608	\$ 726,984	\$ 575,526	\$ 541,519	\$ 541,416
Employer's proportion share of the net pension liability as a percentage of its covered payroll	118.97%	224.88%	219.34%	203.92%	202.47%	171.07%
Plan fiduciary net position as a percentage of the total pension liability	72.21%	69.99%	72.63%	74.03%	74.59%	76.70%

**Palatka Gas Authority**  
**Schedule of Schedule of Employer Contributions**  
**Year Ended September 30, 2020**  
**Last 10 Fiscal Years\***

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 285,704	\$ 221,610	\$ 200,027	\$ 133,036	\$ 125,639	\$ 124,743
Contribution in relation to the actuarially determined contributions	285,704	221,610	200,027	133,036	125,639	124,745
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2)
Covered payroll	\$ 778,484	\$ 735,608	\$ 726,984	\$ 575,526	\$ 541,519	\$ 541,416
Contributions as a percentage of covered payroll	36.70%	30.13%	27.51%	23.12%	23.20%	23.04%

**Notes to the Schedule**

\* The schedule will present ten years comparative data when ten years become available.

The amounts presented for each fiscal year were determined as of the measurement date, which was September 30th of each fiscal year.

**Palatka Gas Authority**  
**Schedule of Proportionate Share of Total OPEB Liability**  
**and**  
**Schedule of Employer Contributions**  
**Year Ended September 30, 2020**  
**Last 10 Fiscal Years\*\***

	2020	2019	2018
Employer's proportion of the total OPEB liability	8.40%	8.40%	8.40%
Employer's proportionate share of the total OPEB liability	\$ 67,429	\$ 58,496	\$ 48,271
	2020	2019	2018
Contractually required contribution	1,531	1,258	1,999
Contributions in relation to the contractually required contribution	1,531	1,258	1,999
	\$ -	\$ -	\$ -

**Notes to the Schedule**

\* The schedule will present ten years comparative data when ten years become available.

Contributions to the OPEB plan are not based on a measure of pay, therefore no measure of payroll is presented.

The amounts presented for each fiscal year were determined as of the measurement date, which was September 30th of each fiscal year.

# **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

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 Palatka Gas Authority (the “Authority”), as of and for the year ended September 30, 2020, 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 45, 2021.

**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 opinions 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, prior year financial statement finding, as items 2019-001 and 2019-002 that we consider to be material weaknesses.

### **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*.

### **The Palatka Gas Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*HCT Certified Public Accountants & Consultants, LLC*

Hollywood, Florida

June 23, 2021



**City of Palatka, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

**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?        X   Yes           No
- Significant deficiency(s)                           Yes        X   None reported

Noncompliance material to financial statements noted?           Yes        X   No

**Section II – Prior Year Financial Statement Findings**

**2019-001**

**Condition:**

As a part of the audit process, it was necessary for the auditors to propose material adjustments to the financial statements. It was also necessary for the auditors to assist with the preparation of the Authority's financial statements.

**Recommendation:**

We recommend that the Authority considers and evaluates the costs and benefits of improving internal controls relative to the financial reporting process and fiscal year closeout process.

**Current Year Status:**

Not implemented. The auditors continue to assist the Authority with the preparation of the financial statements.

**Management's Response and Planned Corrective Actions:**

Palatka Gas Authority (PGA) experienced one audit finding, related to the auditors assisting in the preparation of PGA's financial statements, which has not been corrected in the past several audits. This audit finding will continue to be listed for the foreseeable future. PGA is a small organization, with limited staff (14 full-time employees), finds it not financially feasible or responsible to add the level of staff necessary to enable financial statements to be prepared in-house or to outsource the same to another accounting firm.

**City of Palatka, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

**2019-002**

**Condition:**

As a part of the audit process, it was necessary for us to propose material adjustments to the financial statements related to subsidiary ledger balances that did not agree with the general ledger. Accounts receivable and inventory balances were not in agreement with the subsidiary ledger, requiring adjustments to the general ledger.

**Recommendation:**

We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process, including regular reconciliations between amounts in the subsidiary ledgers and the general ledger.

**Current Year Status:**

Partially implemented. The subledgers agreed to the general ledger to within a material amount.

**Management's Response and Planned Corrective Actions:**

PGA is a small organization, with limited staff (14 full-time employees), finds it not financially feasible or responsible to add the level of staff necessary to enable financial statements to be prepared in-house or to outsource the same to another accounting firm.

**Section III – Current Year Audit Findings**

None

**INDEPENDENT AUDITOR'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  
Palatka Gas Authority

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, 2020. 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 and, accordingly, included examining, on a test basis, evidence about the Authority'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 Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020. This report 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, management, and the Authority's Board, 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 23, 2021

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

To the Board of Directors  
Palatka Gas Authority

**Report on the Financial Statements**

We have audited the financial statements of the Palatka Gas Authority (the “Authority”), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 23, 2021.

**Auditor’s Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 23, 2021, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have not been taken to address findings and recommendations made in the preceding financial audit report. Management’s responses to the findings and recommendations can be found on the attached Schedule of Findings and Questioned Costs.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2018-2019 FY Finding #	2017-2018 FY Finding #
None	2019-001	2018-001
	2019-002	2018-002

**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. All related disclosures have been made in the notes to the financial statements.

**Financial Condition and Management**

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

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

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

**Special District Component Units**

Sections 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 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.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not 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 Chairperson, Members of 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 23, 2021