

**PALATKA DOWNTOWN REDEVELOPMENT
AGENCY
(A Component Unit of the City of Palatka, Florida)**

**Annual Financial Report
For the Year Ended September 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Palatka Downtown Community Redevelopment Agency
Palatka, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities the Palatka Downtown Redevelopment Agency (the "Agency"), a component unit of the City of Palatka, Florida (the "City"), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities information of the Palatka Downtown Redevelopment Agency as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 of the State of Florida. 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 Agency 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 Agency'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, *Government Auditing Standards*, and Chapter 10.550 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, *Government Auditing Standards*, and Chapter 10.550, 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 Agency'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 Agency'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 budgetary comparison information on pages 4–7 and 20–21 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 21, 2024 on our consideration of the Agency'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 Agency'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 Agency's internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 21, 2024

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Management's Discussion and Analysis
September 30, 2023

As management of the Palatka Downtown Redevelopment Agency (the "Agency"), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The Agency's total assets exceeded its liabilities by \$1,742,873, reflecting an increase of \$484,895 mainly due to increase in tax increment financing and a decrease in spending.
- As of the close of fiscal year 2023, the Agency's fund reported an ending fund balance of \$1,742,873. The whole balance is classified as restricted for redevelopment activities.
- The Agency's governmental activities reflected \$699,043 in revenues and \$177,439 in expense.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Agency's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The *Government-Wide Financial Statements* distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 8 and 9 of this report.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Management's Discussion and Analysis (Continued)
September 30, 2023

Fund Financial Statements

Traditional users of governmental financial statements will find the presentation of the fund financial statements more familiar. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the Agency, rather than the Agency as a whole. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as required by state and federal laws, bond covenants and the governmental accounting standards.

All of the Agency's basic services are reported in governmental funds, which focus on how money flows into and out of those funds, and on the balance left at year-end that is available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps to determine the financial resources available for allocation to future budgets and programs.

The Agency's Board of Directors adopts the annual appropriate budget for the Agency. Budgetary comparison schedules have been provided to demonstrate compliance with Chapter 80-271 of the State of Florida Statutes establishing the budgetary data reflected in the financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-18 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons. Required supplementary information can be found on page 21 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a governmental entity's financial position. In the case of the Agency, assets exceeded liabilities by \$1,742,873 at the close of the most recent fiscal year.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Management's Discussion and Analysis (Continued)
September 30, 2023

Key elements of the reconciliation of the statements are that the government-wide statement of activities reports the issuance of debt as a liability, the purchases of capital assets as assets, which are then charged to expense over their useful lives through annual depreciation charges and changes in long-term liabilities as adjustments of expenses. Conversely, the governmental fund statements report the issuance of debt as an other financing source of funds, the repayment of debt and the purchase of capital assets as expenditures, and changes in long-term liabilities are not reported in the fund financial statements.

The Agency's net position all rests restricted for downtown redevelopment activities.

Summary of Net Position
September 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 1,743,834	\$ 1,264,664
Total assets	<u>\$ 1,743,834</u>	<u>\$ 1,264,664</u>
Liabilities:		
Current and other liabilities	\$ 961	\$ 6,686
Total liabilities	<u>961</u>	<u>6,686</u>
Net position:		
Restricted items	1,742,873	1,257,978
Total net position	<u>\$ 1,742,873</u>	<u>\$ 1,257,978</u>

Change in Net Position

There are different types of factors that can positively and negatively impact operations. Some of those factors are: 1) economic conditions; 2) changing patterns in intergovernmental and grant revenues; and 3) market impacts on investment income.

The Agency's total net position increased by \$484,895 over the previous year. This increase was the result of a taxes revenues increase of \$81,457 or 13.19% and a decrease in spending of (\$195,685) or (52.45%).

**Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Management's Discussion and Analysis (Continued)
September 30, 2023**

**Changes in Net Position
For the Years Ended September 30, 2023 and 2022**

	2023	2022
Revenues:		
General revenues:		
Property taxes and tax increments	\$ 699,043	\$ 617,586
Contributions	350	4,200
Total revenues	<u>699,393</u>	<u>621,786</u>
Program expenses:		
Economic environment	<u>177,439</u>	<u>373,124</u>
Total expenses	<u>177,439</u>	<u>373,124</u>
Increase (decrease) in net assets before transfer in (out)	521,954	248,662
Transfer in/(out)	(37,059)	(221,428)
Increase (decrease) in net position	484,895	27,234
Net position at beginning of year	<u>1,257,978</u>	<u>1,230,744</u>
Net position at end of year	<u><u>\$ 1,742,873</u></u>	<u><u>\$ 1,257,978</u></u>

Budgetary Highlights

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$2,027 less than budgeted.

Economic Factors and Next Year's Budgets and Rates

The budget serves as the annual financial plan for the Agency. It articulates the activities planned to achieve the goals of the Agency plan.

For the FY 2023-2024 budget, the Agency proposed a balanced budget with the use of no reserves to balance the budget. The Agency Board kept the City's millage rate the same as FY 2022-2023, 6.4000 mills.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all of those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director of the City of Palatka, Florida, 201 N. 2nd Street, Palatka, Florida 32177.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Statement of Net Position
September 30, 2023

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 1,743,834
Due from other governments	-
Total assets	<u>1,743,834</u>
Liabilities:	
Accounts payable and accrued liabilities	<u>961</u>
Total liabilities	<u>961</u>
Net position	
Invested in capital assets, net of related debt	-
Restricted for:	
Downtown redevelopment	1,742,873
Unrestricted	-
Total net position	<u><u>\$ 1,742,873</u></u>

The accompanying notes are an integral part of the financial statements

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental Activities
Governmental activities:					
Economic environment	\$ 177,439	\$ -	\$ -	\$ -	\$ (177,439)
Total governmental activities	<u>177,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(177,439)</u>
General revenues and transfers					
General revenues:					
Property taxes and tax increments					699,043
Contributions					350
Transfers					<u>(37,059)</u>
Total general revenues and transfers					<u>662,334</u>
Change in net position					484,895
Net position - beginning of year					<u>1,257,978</u>
Net position - end of year					<u><u>\$ 1,742,873</u></u>

The accompanying notes are an integral part of the financial statements

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Balance Sheet and
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2023

Assets:

Cash and cash equivalents	\$ 1,743,834
Total assets	<u>\$ 1,743,834</u>

Liabilities and fund balances:

Liabilities:

Accounts payable	\$ 961
Total liabilities	<u>961</u>

Fund balances:

Non-spendable	-
Restricted	1,742,873
Committed	-
Unassigned	-
Total fund balances	<u>1,742,873</u>

Total liabilities and fund balances	<u>\$ 1,743,834</u>
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Fund balance — total governmental funds	\$ 1,742,873
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Amounts reported for governmental activities in the statement of net position are different because:	-
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Change in net position of governmental activities	<u>\$ 1,742,873</u>
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The accompanying notes are an integral part of the financial statements

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Statement of Revenues, Expenditures, and Changes in Fund Balances and
Reconciliation Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Statement of Activities
Governmental Funds
Year Ended September 30, 2023

Revenues	
Property taxes and tax increments	\$ 699,043
Contributions	350
Total revenues	<u>699,393</u>
Expenditures:	
Current:	
Economic environment	177,439
Total expenditures	<u>177,439</u>
Excess of revenues over (under)	
expenditures	<u>521,954</u>
Other financing sources (uses)	
Transfers out	(37,059)
Total other financing sources (uses)	<u>(37,059)</u>
Net change in fund balance	484,895
Fund balances - beginning of year	<u>1,257,978</u>
Fund balances - end of year	<u>\$ 1,742,873</u>

Net change in fund balance – total governmental funds	\$ 484,895
Amounts reported for governmental activities in the statement of activities are different because:	-
Change in net position of governmental activities	<u>\$ 484,895</u>

The accompanying notes are an integral part of the financial statements

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Palatka Downtown Redevelopment Agency (the “Agency”), which is located in northeast Florida, was established by the City of Palatka, Florida (the “City”) on November 10, 1983. Upon the proper delegation of authority from the County of Putnam, Florida (the “County”) and upon further finding that it is necessary in the public interest for a community redevelopment agency to be formed to function in the City, the City Commission created a public body corporate and politic to be known as a “Community Redevelopment Agency” (CRA) and prepare a Community Redevelopment Plan to carry out the Community Redevelopment purposes outlined in Florida Statutes Chapter 163, Part III to eliminate blight and slum conditions within the redevelopment area of the Agency pursuant to the redevelopment area of the Agency pursuant to the redevelopment plan for new residential and commercial activity in the redevelopment area. The redevelopment efforts emphasize the importance of reinvigorating three districts within the City: Central Business District, North Historic District, and South Historic District.

As the City and the Agency are separate legal entities, the parties also share the mutual goal of redeveloping the CRA area. The City provides administrative support services in the same manner as provided by the City in the conduct of its own affairs or as otherwise provided by the CRA Plans or By-Laws.

The Agency has adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, for the purpose of evaluating whether it has any component units. Based on the criteria therein, the Agency has determined that there are no component units that meet criteria for inclusion in the Agency's financial statements.

The Board of Directors of the Agency (the "Board") is governed by five members of the City Commission and the Mayor. Management of the City has operational responsibility for the AGENCY. The City is considered to be financially accountable for the Agency. The Agency is considered to be a blended component unit in the City's comprehensive annual financial report.

Basis of Presentation

The financial statements of the Agency 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 Agency most significant of the accounting policies are hereafter described.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used, if any, are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

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

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

Deposits and investments

The Agency considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

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

Contributions

The Agency receives contributions and donations from time to time to assist in achieving the goals of the CRA plan. Such items are recorded at fair market value at the time received. At September 30, 2023, the Agency recorded \$350 in contributions.

Restricted assets

Assets of the Agency are reported as restricted due to requirements of bond/loan agreements, other externally imposed constraints, or by legislation. When both restricted and unrestricted resources are available for use, it is CRA policy to use unrestricted resources first, and then restricted resources as needed.

Claims and Judgments

For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide.

Property Taxes

The Putnam County Tax Collector bills and collects property taxes for the Agency. At September 30, 2023, property taxes receivable was not material.

Details of the Agency's tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount period	November - February
No discount period	March
Delinquent date	April 1

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position

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

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

The Agency has no net position restricted by enabling legislation.

Fund Balance

The Agency follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City's highest level of decision-making authority, which is by ordinance approved by the City Commission. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the City Commission or a body or official to which the Commission has delegated the authority to assign amounts to be used for specific purposes. At this point in time, only the Commission has the authority to assign fund balances.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Agency's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Pension

The City sponsors a single-employer public employee retirement system (the "System") administered by the City of Palatka, Pension Board of Trustees. Employees of the Agency participate however, benefits are paid out of the City's General Fund. See the City's Comprehensive Annual Financial Report for more information.

Other Post-Employment Benefits

The City sponsors and administers a single-employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan). The City's health care plan includes certain health care benefits for retired employees of the Agency. Benefits are paid out of the City's General Fund. See the City's Comprehensive Annual Financial Report for more information.

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 2 – DEPOSITS AND INVESTMENTS

Deposits and investments are classified in the accompanying financial statements as follows:

	Primary Government
Statement of net position:	
Cash and equivalents	\$ 1,743,834
Total deposits and investments	\$ 1,743,834

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

For purpose of risk disclosures, deposits and investments are comprised of the following:

	Primary Government
Deposits with financial institutions (including certificates of deposit)	\$ 1,743,834
Total deposits and investments	\$ 1,743,834

Deposits

All of the Agency's demand deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal Depository Insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

Investments

Section 218.415, Florida Statutes, authorizes the Agency to invest excess public funds in the following:

- Direct obligations of the U.S. Treasury;
- Savings accounts and interest bearing deposits in qualified public depositories;
- The Local Government Surplus Funds Trust Fund;
- Securities and Exchange Commission registered money market funds with the highest credit quality rating.

No such activity was recorded for the fiscal year ended September 30, 2023.

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2023, interfund balances consisted of a payable due from the City to the Agency in the amount of approximately \$350.

Interfund transfers for the year ended September 30, 2023 consisted of a transfers to the City for a total of \$37,059 as reimbursement for transactions paid for by the City and transfers to the City of Palatka Water fund for utilities used by the Agency during the year.

The interfund transfers were made in the normal course of operations and are consistent with the activities of the Fund making the transfer.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to the Financial Statements
September 30, 2023

NOTE 4 – LONG-TERM OBLIGATIONS

March of 2019, the CRA was issued a line of credit Note, Series 2019 (the “Note”) in the principal amount not to exceed \$300,000 on behalf of the Agency. The Note was used to finance certain road construction projects located in the North Historic District. The Note is payable by the City from non-ad valorem revenues. At September 30, 2023, the Agency transferred \$0 as debt service payment reimbursement.

NOTE 5 – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to general liability, workers’ compensation, public liability, law enforcement liability, health benefits, property damage, and errors and omissions. To manage its risks, the City 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. Benefits also covers the Agency activities. The City 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 Agency’s settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 6 – CONTINGENCIES AND UNCERTAINTIES

The Agency is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the Agency cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the Agency.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through June 21, 2024, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.

NOTE 8 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued several pronouncements that are effective for these financial statements. Management has ascertained that none of these professional pronouncements effective for this year had any discernable impact on the CRA.

Required Supplementary Information

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 701,420	\$ 701,420	\$ 699,043	\$ (2,377)
Contributions	-	-	350	350
Total revenues	<u>701,420</u>	<u>701,420</u>	<u>699,393</u>	<u>(2,027)</u>
Expenditures:				
Economic environment	936,269	936,269	78,619	857,650
	<u>50,000</u>	<u>50,000</u>	<u>98,820</u>	<u>(48,820)</u>
Total expenditures	<u>986,269</u>	<u>986,269</u>	<u>177,439</u>	<u>808,830</u>
Excess of revenues over expenditures	<u>(284,849)</u>	<u>(284,849)</u>	<u>521,954</u>	<u>806,803</u>
Other financing sources (uses):				
Operating transfer out	<u>(745,572)</u>	<u>(745,572)</u>	<u>(37,059)</u>	<u>708,513</u>
Total other financing sources (uses):	<u>(745,572)</u>	<u>(745,572)</u>	<u>(37,059)</u>	<u>708,513</u>
Net change in fund balance	<u>\$ (1,030,421)</u>	<u>\$ (1,030,421)</u>	484,895	<u>\$ 1,515,316</u>
Fund balance, beginning of year			<u>1,257,978</u>	
Fund balance, end of year			<u>\$ 1,742,873</u>	

See the accompanying notes.

Palatka Downtown Redevelopment Agency
(A Component unit of the City of Palatka, Florida)
Notes to Budgetary Comparison Schedules
September 30, 2023

Budgets are prepared and adopted on the modified accrual basis of accounting.

On or before the first day in August of each year, the City Manager of the City of Palatka, Florida submits to the Agency Board of Directors a budget for the ensuing fiscal year, along with an accompanying budget message. The general summary of the budget and notice of public hearing is published in the local newspaper. Prior to the last day of September, the budget is legally enacted. All appropriations lapse at the end of the fiscal year.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. The City Manager can approve budget transfers within and between operating departments and divisions of the same fund. All interfund transfers require prior approval of the Board of Directors. Therefore, the fund level is the legal level of control for budget considerations.

Annual budgets are adopted for all governmental funds.

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
The Palatka Downtown Redevelopment Agency
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 governmental activities of the Palatka Downtown Redevelopment Agency (the ‘Agency’), a component unit of the City of Palatka, Florida (the “City”) as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated June 21, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency'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 21, 2024

Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies)

___ Yes __X_ No

___ Yes X None reported

Noncompliance material to financial statements noted?

___ Yes X No

Section II – Financial Statement Findings

None.

Section III – Prior-Year Audit Findings

None.

**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, AND
SECTIONS 163.387(6) AND (7), FLORIDA STATUTES**

To the Board of Directors
The Palatka Downtown Redevelopment Agency
Palatka, Florida

We have audited the financial statements of the Palatka Downtown Redevelopment Agency (the “Agency”), a component unit of the City of Palatka, Florida (the “City”), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 21, 2024.

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 Florida Auditor General.

Other Reports and Schedule

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*; Schedule of Findings and Questioned Costs; and the management letter in accordance with the rules of the Auditor General of the State of Florida. Disclosures in those reports and schedule, which are dated June 21, 2024, should be considered in conjunction with this report.

Local Government Investment Policies

We have examined the Agency’s compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies* and Sections 163.387(6), and 163.387(7), Florida Statutes, *Redevelopment Trust Fund*, during the fiscal year ended September 30, 2023. Management is responsible for the Agency’s compliance with those requirements. Our responsibility is to express an opinion on the Agency’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 Agency complied, in all material respects, with the specific requirements reference above. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specific requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

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

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2023.

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 Agency 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 21, 2024

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

To the Board of Directors
The Palatka Downtown Redevelopment Agency
Palatka, Florida

Report on the Financial Statements

We have audited the financial statements of the Palatka Downtown Redevelopment Agency (the “Agency”), a component unit of the City of Palatka, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 21, 2024.

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 Standard*; and the 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 30, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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 Agency’s official title and legal authority are disclosed in Note 1 to the Financial Statement. The Agency 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 Agency 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 Agency 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 Agency. It is management's responsibility to monitor the Agency'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.

Special District Component Units

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.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Agency reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year was 0 (zero) 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 -0- .
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.00.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.00.
- e. Each construction project with a total cost of at least \$65,000 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 None.
- 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. See the attached Exhibit 1.

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 21, 2024