

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

---

**Financial Statements**  
**For the Year Ended September 30, 2023**

# Table of Contents

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11-22
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Proportionate Share of Net Pension Liability	24
Schedule of Proportionate Share of Employer Contribution	25
Schedule of Proportionate Share of Total OPEB Liability and Schedule of Employer Contributions	26
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Responses	30
Independent Accountant's Report on Compliance with Florida Statutes	31
Management Letter	32

**INDEPENDENT AUDITOR’S REPORT**

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

***Opinion***

We have audited the accompanying financial statements of the business type activities of the Palatka Gas Authority (the “Authority”), a component unit of the City of Palatka, Florida (the “City”) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Authority as of September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor’s Responsibilities for the Audit of Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report

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

In performing an audit in accordance with generally accepted auditing standards, and *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension-related and OPEB-related information on pages 4–7 and 24–26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024 on our consideration of the Authority’s, a component unit of the City of Palatka, Florida (the “City”), internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.

*HCT Certified Public Accountants & Consultants, LLC*

Hollywood, Florida

June 26, 2024

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Management's Discussion and Analysis**  
**September 30, 2023**

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, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

#### Financial Highlights

- The Authority's overall net position increased by approximately \$779,000 or 11.81%.
- Total ending unrestricted net position was \$1,495,123.
- The Authority had total expenses and transfers for the year of \$2,407,450, compared to total revenues of \$3,186,120, 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.

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Management's Discussion and Analysis (Continued)**  
**September 30, 2023**

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

**Summary of Net Position**  
**September 30, 2023 and 2022**

	2023	2022
<b>Assets:</b>		
Current and other assets	\$ 5,607,616	\$ 5,305,094
Capital assets	5,879,282	5,911,202
<b>Total current assets</b>	<u>11,486,898</u>	<u>11,216,296</u>
<b>Deferred outflows of resources:</b>		
Pension related items	250,409	334,381
OPEB related items	5,657	19,726
<b>Total deferred outflows of resources</b>	<u>256,066</u>	<u>354,107</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>11,742,964</u></u>	<u><u>11,570,403</u></u>
<b>Liabilities:</b>		
Current and other liabilities	3,424,169	3,920,060
Long-term liabilities outstanding	926,080	970,739
<b>Total liabilities</b>	<u>4,350,249</u>	<u>4,890,799</u>
<b>Deferred inflows of resources:</b>		
Pension related items	-	31,760
OPEB related items	18,310	52,109
<b>Total deferred inflows of resources</b>	<u>18,310</u>	<u>83,869</u>
<b>Net position:</b>		
Investment in capital assets	5,879,282	5,911,202
Unrestricted	1,495,123	684,533
<b>Total net position</b>	<u>\$ 7,374,405</u>	<u>\$ 6,595,735</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><u>11,742,964</u></u>	<u><u>11,570,403</u></u>

**Palatka Gas Authority**  
**(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
<b>Revenues:</b>		
Operating revenues:		
Gas sales	\$ 3,266,084	\$ 3,215,046
Cost of gas sold	(1,112,012)	(1,362,891)
Other operating revenues	863,485	566,224
<b>Total revenues</b>	<u>3,017,557</u>	<u>2,418,379</u>
<b>Operating expenses</b>		
Personnel services	1,009,170	1,127,612
Other expenses	807,697	850,027
Depreciation	350,562	330,182
<b>Total operating expenses</b>	<u>2,167,429</u>	<u>2,307,821</u>
<b>Operating income</b>	<u>850,128</u>	<u>110,558</u>
<b>Nonoperating revenues</b>		
Interest revenue	47,313	7,078
Capital contributions	25,250	13,200
Gain on disposal of assets	96,000	25,435
<b>Total nonoperating revenues</b>	<u>168,563</u>	<u>45,713</u>
Transfer in/(out) to the City of Palatka	<u>(240,021)</u>	<u>(224,863)</u>
Increase (decrease) in net position	<u>778,670</u>	<u>(68,592)</u>
Net position at beginning of year, restated	<u>6,595,735</u>	<u>5,709,500</u>
Period period adjustment	<u>-</u>	<u>954,827</u>
Net position at beginning of year, restated	<u>6,595,735</u>	<u>6,664,327</u>
Net position at end of year	<u>\$ 7,374,405</u>	<u>\$ 6,595,735</u>

**Overall Financial Position and Results of Operations**

The net position of the Authority increased by approximately \$779,000 or about 11.81%. Sales increased by approximately \$51,000 or 1.59% and the cost of gas sold decreased by approximately (\$251,000) or (18.41%). However, overall operating expenses for 2023 decreased by approximately (\$140,000) or (6.08%). This decrease was primarily related to a decrease in spending on personnel, plant, administration and maintenance expenses.



**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Management’s Discussion and Analysis (Continued)**  
**September 30, 2023**

**Capital Assets and Debt Administration**

**Capital Assets**

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

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

**Capital Assets (Net of Depreciation)**  
**September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Land	\$ 211,543	\$ 211,373
Building and Improvements	876,258	915,216
Furniture and Equipment	299,597	369,609
Plant Assets and Equipment	4,491,884	4,415,004
Total capital assets	<u>\$ 5,879,282</u>	<u>\$ 5,911,202</u>

***Long-term Debt***

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

**Economic Factors and Next Year’s Budgets and Rates**

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

**Request for Information**

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

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Statement of Net Position**  
**As of September 30, 2023**

**Assets**

Current assets	
Cash and cash equivalents	\$ 2,414,192
Investments	756,387
Accounts receivable, net	1,238,596
Inventory	121,074
Total current assets	4,530,249
Restricted assets	
Investments restricted for customer deposits	1,077,367
Noncurrent assets	
Capital assets:	
Non-depreciable	211,543
Depreciable, net	5,667,739
Total noncurrent assets	5,879,282
Total Assets	11,486,898

**Deferred outflows of resources:**

Pension related items	250,409
OPEB related items	5,657
Total deferred outflows of resources	256,066
<b>Total assets and deferred outflows of resources</b>	<b>\$ 11,742,964</b>

**Liabilities:**

Accounts payable and accrued liabilities	\$ 125,124
Due to the City of Palatka	1,787,025
Deposits	671,114
Deposits - City	840,906
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	926,080
Total liabilities	4,350,249

**Deferred inflows of resources:**

Pension related items	-
OPEB related items	18,310
Total deferred inflows of resources	18,310

**Net position:**

Invested in capital assets	5,879,282
Unrestricted	1,495,123
Total net position	7,374,405
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 11,742,964</b>

The accompanying notes are an integral part of the financial statements

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended September 30, 2023**

	2023
<b>Operating revenues</b>	
Gas sales	\$ 3,266,084
Cost of gas sold	(1,112,012)
Gross profit	2,154,072
Other operating revenues	863,485
Total operating revenues, net	3,017,557
<b>Operating expenses</b>	
Personnel services	1,009,170
Plant, Administrative and Maintenance expenses	807,697
Depreciation	350,562
Total expenses	2,167,429
<b>Operating income</b>	850,128
<b>Nonoperating revenues</b>	
Investment earnings	47,313
Capital contributions	25,250
Other	96,000
Total nonoperating revenues	168,563
Income before transfers	1,018,691
Transfer to the City of Palatka	(240,021)
Net change in net position	778,670
<b>Net position - beginning of year</b>	6,595,735
<b>Net position - end of year</b>	\$ 7,374,405

The accompanying notes are an integral part of the financial statements

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Statement of Cash Flows**  
**Year Ended September 30, 2023**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 3,478,137
Payments to suppliers	(1,325,682)
Payments to employees	(1,021,347)
Net cash provided by operating activities	<u>1,131,108</u>
<b>Cash flows from non-capital financing activities:</b>	
Transfer - City of Palatka	(240,021)
Net cash provided by capital and related financing activities	<u>(240,021)</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(318,642)
Capital contributions	25,250
Proceeds from sale of capital assets	96,000
Net cash (used in) capital and related financing activities	<u>(197,392)</u>
<b>Cash flows from investing activities:</b>	
Acquisition of investments	27,364
Net cash provided by investing activities	<u>27,364</u>
Net increase in cash and cash equivalents	721,059
Cash and cash equivalents at beginning of year	<u>1,693,133</u>
Cash and cash equivalents at end of year	<u>\$ 2,414,192</u>

Cash flows from operating activities:	
Operating income	\$ 850,128
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	350,562
Change in assets and liabilities:	
Decrease in receivables, net	460,580
(Increase) in inventory	(22,094)
Decrease in deferred outflows	98,041
(Decrease) in accounts payable and accrued liabilities	(589,922)
Increase in deposits	94,031
Increase in total OPEB liability	3,100
(Decrease) in net pension liability	(47,759)
(Decrease) in deferred inflows	(65,559)
Net cash provided by / (used in) operating activities	<u>\$ 1,131,108</u>

The accompanying notes are an integral part of the financial statements

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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 2022-2023 fiscal year.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of Presentation**

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

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

**Measurement Focus and Basis of Accounting**

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

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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 \$8,764 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**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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, 2023 follows:

	Balance October 1, 2022	Additions	Deletions	Transfers	Balance September 30, 2023
Capital assets not being depreciated:					
Land	\$ 211,373	\$ 170	\$ -	\$ -	\$ 211,543
Total not being depreciated	211,373	170	-	-	211,543
Capital assets being depreciated:					
Buildings and improvements	1,467,709	-	-	-	1,467,709
Furniture and equipment	1,584,918	129,303	(216,461)	-	1,497,760
Plant assets and equipment	7,631,110	189,169	(17,570)	-	7,802,709
Total being depreciated	10,683,737	318,472	(234,031)	-	10,768,178
Less accumulated depreciation for:					
Buildings and improvements	552,493	38,958	-	-	591,451
Furniture and equipment	1,215,309	199,315	(216,461)	-	1,198,163
Plant assets and equipment	3,216,106	112,289	(17,570)	-	3,310,825
Total accumulated depreciation	4,983,908	350,562	(234,031)	-	5,100,439
Total being depreciated, net	5,699,829	(32,090)	-	-	5,667,739
Gas Authority capital assets, net	<u>\$ 5,911,202</u>	<u>\$ (31,920)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,879,282</u>

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

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

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023	Due Within One Year
Net pension liability	\$ 904,595	\$ -	\$ 47,759	\$ 856,836	\$ -
Total OPEB liability	66,144	3,100	-	69,244	-
Totals	<u>\$ 970,739</u>	<u>\$ 3,100</u>	<u>\$ 47,759</u>	<u>\$ 926,080</u>	<u>\$ -</u>



**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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 2023, the Authority transferred \$220,021 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, 2023 were 36.23% for the Authority and 6.0% for employees. The Authority’s contributions to the Plan for the year ended September 30, 2023 were \$145,852.

**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.

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**NOTE 7 – PENSION PLAN (CONTINUED)**

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

The Authority allocated a proportional share of 36.23% 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 \$856,836 as of September 30, 2023.

The Authority’s net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated October 1, 2022 and rolled forward to that date.

For the year ended September 30, 2023, the Authority’s recognized pension expense is \$155,618.

At September 30, 2023, 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	\$ 9,346	\$ -
Chnages of assumptions	-	-
Difference between projected and actual earnings on pension plan investments (net)	241,062	-
<b>Total</b>	<b>\$ 250,409</b>	<b>\$ -</b>

**The remainder of this page was left blank intentionally**

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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,	
2024	\$ 76,473
2025	67,507
2026	106,557
2027	(128)
2028	-
Thereafter	-
Total	\$ 250,409

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of October 1, 2022, applicable to September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

	General
Investment rate of return	7.40%
Projected salary increases*	Service based
* Includes inflation at	2.70%
Discount rate	7.40%

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

The most recent actuarial experience study for which significant assumptions are based upon was dated October 1, 2021.

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**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**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, 2023 are summarized in the following table:

<b>Asset class:</b>	<u>Target Allocation</u>	Long-term Expected Real Rate of Return
	<u>General</u>	All Plans
Domestic equity	37.0%	7.1%
Internation equity	15.0%	3.1%
Bonds	18.0%	2.0%
High yields bonds	4.0%	4.2%
Convertibles	8.0%	6.4%
Private Real Estate	7.0%	6.4%
REITS	5.0%	6.9%
Infrastructure	5.0%	5.6%
Cash	1.0%	-0.1%
<b>Total</b>	<b>100%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability is 7.40%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that the Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

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

	1% Decrease	Current Discount Rate	1% Increase
	6.40%	7.40%	8.40%
Net Pension Liability	\$ 865,404	\$ 856,836	\$ 848,268

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is included in the 2023 Annual Comprehensive Financial Report of the City of Palatka, Florida.

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

**Other Post-Employment Benefits Plan – Plan Description**

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

**Benefits Provided**

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

**Contributions**

The contribution requirements of plan members and the participating employers are established and may be amended by the City. The Authority’s required contribution, actuarially determined, is based on a combination of projected pay-as-you-go financing, with an additional amount to prefund benefits when earned. Contributions are not based on a measure of pay. The Authority’s contractually required contribution for the year ended September 30, 2023, was \$4,086. Actual contributions to the OPEB Plan from the Authority were \$4,086 for the year ended September 30, 2023. Authority retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

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

At September 30, 2023, the Authority reported a liability of \$69,244 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2023, and was determined by an actuarial valuation as of October 1, 2022. 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, 2023, the Authority's proportion of total OPEB liability was 9.66%. For the year ended September 30, 2023, the Authority recognized OPEB expense of \$5,604.

At September 30, 2023, 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	\$ -	\$ 13,142
Changes of assumptions	5,657	5,168
<b>Total</b>	<b>\$ 5,657</b>	<b>\$ 18,310</b>

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,		
2024	\$	(1,991)
2025		(3,077)
2026		(3,936)
2027		(3,529)
2028		(119)
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>(12,652)</b>

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

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

**Actuarial Methods and Assumptions**

The total OPEB liability in the October 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	4.77%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	53

All mortality rates were based on the Pub-2010 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 4.87%. The discount rate is based on the high-quality municipal bond rate, defined as the S&P Municipal 20 Year High Grade Rate Index as published by the S&P Municipal Bond Index.

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

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

	1% Decrease	Current Discount Rate	1% Increase
	3.87%	4.87%	5.87%
Total OPEB liability	\$ 76,871	\$ 69,244	\$ 62,612

**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

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Notes to the Financial Statements**  
**September 30, 2023**

using healthcare cost trend rates that are one percent lower or one percent point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPEB liability	\$ 60,363	\$ 69,244	\$ 79,859

**NOTE 9 – RISK MANAGEMENT**

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

**NOTE 10 – NEW ACCOUNTING PRONOUNCEMENTS**

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

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

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

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events to determine if events or transactions occurring through June 26, 2024, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.



# **Required Supplementary Information**

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Year Ended September 30, 2023**  
**Last 10 Fiscal Years\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	31.78%	34.05%	22.10%	21.10%	21.10%	23.09%	18.00%	18.48%	18.17%
Employer's proportion share of the net pension liability	\$ 856,837	\$ 904,595	\$ 1,106,824	\$ 926,179	\$ 1,654,199	\$ 1,594,532	\$ 1,173,621	\$ 1,096,398	\$ 926,176
Employer's covered payroll	\$ 445,297	\$ 828,231	\$ 818,484	\$ 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	192.42%	109.22%	135.23%	118.97%	224.88%	219.34%	203.92%	202.47%	171.07%
Plan fiduciary net position as a percentage of the total pension liability	68.22%	65.95%	72.21%	77.67%	69.99%	72.63%	74.03%	74.59%	76.70%

\*Note: This schedule is intended to show information for 10 years. Additional information will be presented as they become available.

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Schedule of Schedule of Employer Contributions**  
**Year Ended September 30, 2023**  
**Last 10 Fiscal Years\***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 149,620	\$ 294,850	\$ 265,665	\$ 285,704	\$ 221,610	\$ 200,027	\$ 133,036	\$ 125,639	\$ 124,743
Contribution in relation to the actuarially determined contributions	145,852	300,109	265,665	285,704	221,610	200,027	133,036	125,639	124,745
Contribution deficiency (excess)	\$ 3,768	\$ (5,259)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2)
Covered payroll	\$ 445,297	\$ 828,231	\$ 778,484	\$ 778,484	\$ 735,608	\$ 726,984	\$ 575,526	\$ 541,519	\$ 541,416
Contributions as a percentage of covered payroll	32.75%	36.23%	36.70%	36.70%	30.13%	27.51%	23.12%	23.20%	23.04%

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Schedule of Proportionate Share of Total OPEB Liability**  
**and**  
**Schedule of Employer Contributions**  
**Year Ended September 30, 2023**  
**Last 10 Fiscal Years\***

	2023	2022	2021	2020	2019	2018
Employer's proportion of the total OPEB liability	9.67%	8.40%	8.40%	8.40%	8.40%	8.40%
Employer's proportionate share of the total OPEB liability	\$ 69,244	\$ 66,144	\$ 67,429	\$ 67,429	\$ 58,496	\$ 48,271
Contractually required contribution	4,086	4,278	1,734	1,531	1,258	1,999
Contributions in relation to the contractually required contribution	4,086	4,278	1,734	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  
Palatka, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of the Palatka Gas Authority (the “Authority”), a component unit of the City of Palatka, Florida (The “City”) as of and for the year ended September 30, 2023, 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 26, 2024.

**Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

### **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 26, 2024

**Palatka Gas Authority**  
**(A component unit of the City of Palatka, Florida)**  
**Schedule of Findings and Responses**  
**Year Ended September 30, 2023**

**I. Summary of Independent Auditor’s Results**

Financial Statements

Type of report the auditor issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?       Yes       No

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

**2022-001**

**Criteria:** Proper accounting records should reflect all financial activity and transactions.

**Condition:** As a part of the audit process, it was necessary for the auditors to propose material adjustments to the financial statements.

**Cause:** The Authority was not able to monitor and detect needed financial statement adjustments.

**Effect:** The Authority may not be able to present materially correct 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:** Implemented.

**Section III – Current Year Audit Findings**

None.



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

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

We have examined the Palatka Gas Authority’s (the “Authority”) compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2023. 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, 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 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 26, 2024

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

To the Board of Directors  
Palatka Gas Authority  
Palatka, Florida

**Report on the Financial  
Statements**

We have audited the financial statements of the Palatka Gas Authority (the “Authority”), a component unit of the City of Palatka, Florida (the “City”) as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 26, 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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant’s Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 26, 2023, 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 been taken to address findings and recommendations made in the preceding financial audit report. There were two recommendations made in the preceding financial audit report.

Reference Number	Prior Year Comment	Status
2022-001	Proper accounting records should reflect all financial activity and transactions.	Implemented.

Comment 2022-001 has been reported in the prior two year’s audit reports.

### **Official Title and Legal Authority**

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

### **Financial Condition and Management**

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

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

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

### **Special District Component Units**

As required by Sections 218.39(3)(c) and 218.39 (3)(b) Florida Statutes, and Sections 10.554(1)(i)6, and 10.554 (1)(i)5c.Rules of the Auditor General, the Authority reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year was 18 (eighteen) 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 -4- .
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$856,831.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$23,935.00.
- 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 \$0.00 (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 26, 2024

EXHIBIT 1

2022 - 2023 Expense / Net Income vs. Budget / Service & Construction Activities

TYPE/ACCT.		October	November	December	January	February	March	April	May	June	July	August	September	TOTAL	REMAINING	YTD	YTD
															BUDGET	ACTUAL[A]	BUDGET[B]
PURCHASED	BUDGET	105,422	137,065	173,897	228,955	164,172	130,732	63,234	51,024	49,236	50,892	50,364	53,939	1,258,932	322,521	936,411	1,258,932
GAS	ACTUAL	94,326	100,176	167,274	108,487	64,724	65,416	60,569	57,313	54,579	53,872	53,872	55,804	936,411		YTD A / B	-25.6%
	%OF ANNUAL BUDGET	8%	11%	14%	18%	13%	10%	5%	4%	4%	4%	4%	4%	100%		YTD VAR	(322,521)
DISTRIBUTION	BUDGET	13,450	13,550	15,575	13,550	13,450	15,475	13,500	13,500	15,525	13,500	13,450	15,525	170,050	(2,127)	172,177	170,050
OPERATIONS	ACTUAL	14,690	15,195	13,923	10,690	12,126	12,781	10,664	13,539	14,506	12,427	15,151	26,484	172,177		YTD A / B	1.3%
	%OF ANNUAL BUDGET	8%	8%	9%	8%	8%	9%	8%	8%	9%	8%	8%	9%	100%		YTD VAR	2,127
M&J Expense	BUDGET	33,000	27,000	32,500	32,000	28,000	33,500	25,000	27,000	29,500	27,000	27,000	27,500	349,000	37,608	311,392	349,000
	ACTUAL	22,220	23,241	15,128	21,625	39,358	27,691	19,579	21,080	26,651	28,778	18,441	47,602	311,392		YTD A / B	-10.8%
	%OF ANNUAL BUDGET	9%	8%	9%	9%	8%	10%	7%	8%	8%	8%	8%	8%	100%		YTD VAR	(37,608)
DISTRIBUTION	BUDGET	7,285	7,285	7,675	7,285	7,285	7,675	7,285	7,285	7,675	7,285	7,285	7,675	88,980	(27,152)	116,132	88,980
MAINTENANCE	ACTUAL	3,582	6,496	5,687	5,341	11,266	8,118	7,747	9,331	13,352	21,430	9,382	14,401	116,132		YTD A / B	30.5%
	%OF ANNUAL BUDGET	8%	8%	9%	8%	8%	9%	8%	8%	9%	8%	8%	9%	100%		YTD VAR	27,152
CUSTOMER	BUDGET	23,335	32,335	23,850	20,335	19,835	23,850	22,350	20,335	22,850	19,335	19,335	22,850	270,595	6,302	264,293	270,595
EXPENSE	ACTUAL	25,143	27,604	20,082	18,285	19,123	24,263	24,270	20,507	23,264	15,467	21,154	25,132	264,293		YTD A / B	-2.3%
	%OF ANNUAL BUDGET	9%	12%	9%	8%	7%	9%	8%	8%	8%	7%	7%	8%	100%		YTD VAR	(6,302)
SALES &	BUDGET	14,750	14,750	14,750	14,750	14,750	14,750	14,750	14,750	14,750	14,750	15,250	15,250	178,000	82,180	95,820	178,000
ADVERTISING	ACTUAL	7,594	6,565	4,884	9,793	10,072	16,852	3,039	10,770	6,619	8,205	3,522	7,906	95,820		YTD A / B	-46.2%
	%OF ANNUAL BUDGET	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	9%	9%	100%		YTD VAR	(82,180)
A & G	BUDGET	95,075	86,590	122,815	97,740	95,950	94,635	98,800	89,665	95,735	85,395	83,395	92,840	1,138,635	31,266	1,107,369	1,138,635
EXPENSE	ACTUAL	94,702	72,232	115,751	97,335	83,007	79,011	106,992	86,737	106,975	81,869	83,163	99,595	1,107,369		YTD A / B	-2.7%
	%OF ANNUAL BUDGET	8%	8%	11%	9%	8%	8%	9%	8%	8%	7%	7%	8%	100%		YTD VAR	(31,266)
DEPRECIATION	BUDGET	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	30,750	369,000	15,099	353,901	369,000
EXPENSE	ACTUAL	29,038	29,038	29,038	28,997	28,998	28,997	28,984	28,984	28,951	29,565	31,656	31,655	353,901		YTD A / B	-4.1%
	%OF ANNUAL BUDGET	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	100%		YTD VAR	(15,099)
TOTAL	BUDGET	217,645	212,260	247,915	216,410	210,020	220,635	212,435	203,285	216,785	198,015	196,465	212,390	2,564,260	143,176	3,357,495	2,564,260
OP EXPENSES	ACTUAL	196,969	180,370	204,492	192,067	203,949	197,714	201,274	190,947	220,317	197,742	182,469	252,775	2,421,084		YTD A / B	30.9%
	%OF ANNUAL BUDGET	8%	8%	10%	8%	8%	9%	8%	8%	8%	8%	8%	8%	100%		YTD VAR	793,235
NET	BUDGET	28,282	57,863	71,225	153,885	94,493	79,177	(3,223)	(8,218)	(16,551)	(4,727)	(3,726)	(9,607)	438,873	(259,957)	698,830	438,873
INCOME	ACTUAL	44,071	90,234	(27,220)	226,698	122,456	84,916	34,443	63,245	(18,926)	78,297	(3,267)	3,883	698,830		YTD A / B	59.2%
AFTER TRANSFER	%OF ANNUAL BUDGET	6%	13%	16%	35%	22%	18%	-1%	-2%	-4%	-1%	-1%	-2%	100%		YTD VAR	259,957
	Transfer to City 5.9%	19,693.40	22,082.94	20,458.68	31,907.50	23,360.78	20,443.35	17,408.88	18,335.60	15,119.45	19,524.52	13,390.05	18,295.91	240,021.08			
	Budgeted Transfers - City	20,995	24,465	29,835	36,469	28,283	25,891	16,003	14,364	14,576	14,275	14,208	15,062	254,426			

2020-2021 Field Activities

	October	November	December	January	February	March	April	May	June	July	August	September	TOTAL	Ave / Month
NSF Charges	19	19	30	20	22	16	14	18	29	21	19	27	254	21
Residential Turn-ons	52	32	41	41	44	38	20	30	42	45	31	28	444	37
Non-Pay Turn-ons	5	5	3	1	7	11	4	9	3	1	1	7	57	5
Repairs and Service	61	91	67	62	83	75	48	49	54	62	58	63	773	64
Appliance Sales	21	29	19	29	28	56	15	40	27	31	13	32	340	28
Commercial Turn-ons	0	2	0	4	0	3	1	2	1	0	5	2	20	2
Service labor only	53	55	56	69	41	29	28	25	23	22	30	36	467	39
Incentive Credit	20	12	12	17	20	32	10	22	15	20	9	18	207	17
Collection Fee	3	0	1	0	4	3	12	14	10	5	14	1	67	6
New Service Lines	3	2	5	4	10	4	5	8	7	1	7	4	60	5
New Main Lines	0	1	2	0	0	1	2	2	2	0	0	0	10	1