

CITY OF PALATKA, FLORIDA

Comprehensive Annual Financial Report For the Year Ended September 30, 2021



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GFOA Certificate of Achievement

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2020 is presented on the following page.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Commission of
City of Palatka, Florida

Report on the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida, as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages X–X and XX–XX be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required

by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 28, 2022

City of Palatka
Management's Discussion and Analysis
September 30, 2021

As management of the City of Palatka, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

Financial Highlights

- The net position of the City at the close of the fiscal year was \$64,992,551. The total unrestricted net position of the City ended the fiscal year at a surplus of \$4,662,374.
- The City's total net position increased by \$8,678,526 or 15.41%. Governmental net position increased by \$6,112,550 or 38.41% and the Enterprise funds net position increased by \$2,565,976 or 16.12%.
- The total net position of each Enterprise fund was: Water \$23,888,655, Sanitation \$373,193, Golf Course \$1,066,623, and Airport \$17,637,444.
- As of September 30, 2021, the City's governmental funds reported combined ending fund balances of \$11,283,007, an increase of \$5,373,803 or 90.94%.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$8,676,544 or 91.53% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$1,230,744. Better Place Plan fund balance was \$820,515.
- Net position of the General, Police Officers', and Firefighters' Pension Trust Funds changed by \$22,141,505, \$13,718,778, and \$9,953,668 respectively.

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 City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Palatka's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. The City has deferred outflows or deferred inflows that are pension related in the government-wide statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

The *Statement of Activities* presents information showing how the City'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 (i.e. uncollected taxes and earned but unused vacation leave).

The *Government-wide Financial Statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and drainage, economic development and culture and recreation. The business type activities of the City include the utility (water and wastewater), the airport, the golf course, sanitation, and the component unit, the gas authority.

The government-wide financial statements include not only the City of Palatka, but also the Palatka Gas Authority, an independent component unit of the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 & 18 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palatka can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Downtown Redevelopment Agency fund, and the Better Place Plan fund, which are considered major funds. Data from the non-major governmental fund is included in the nonmajor governmental fund column.

The City adopts an annual appropriated budget for each governmental fund. Budgetary comparison schedules have been provided for the General fund and the Downtown Redevelopment Agency special revenue fund in the required supplementary information section and for the Better Place Plan fund and the other nonmajor governmental fund in the supplementary information section.

The basic governmental fund financial statements can be found on pages 19-22 of this report.

Proprietary Funds

The City maintains four enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Golf Course, Airport, and Sanitation operations, as does the independent Component Unit Gas Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the funds listed above, all of which are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 23–26 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements

The notes 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 29-68 of this report.

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's net liabilities, contributions and investment returns relating to its pension plans and the City's total liability for other postemployment benefits (OPEB) to its employees. Required supplementary information can be found on pages 69-79 of this report.

Supplementary information can be found beginning on page 80 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palatka, assets and deferred outflows exceeded liabilities and deferred inflows by \$64,992,551 million at the close of the most recent fiscal year. There were deferred outflows of \$2,020,138 and deferred inflows of \$1,351,823.

The majority of the City's net position rests in its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

City of Palatka
Summary of Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 12,213,652	\$ 6,287,026	\$ 6,878,680	\$ 5,604,965	19,092,332	11,891,991
Capital assets	18,976,561	18,365,609	52,749,218	49,879,728	71,725,779	68,245,337
Total assets	<u>31,190,213</u>	<u>24,652,635</u>	<u>59,627,898</u>	<u>55,484,693</u>	<u>90,818,111</u>	<u>80,137,328</u>
Deferred outflows of resources:						
Pension related items	1,477,985	1,477,985	426,426	426,426	1,904,411	1,904,411
OPEB related items	76,630	99,454	39,097	49,727	115,727	149,181
Total deferred outflows of resources	<u>1,554,615</u>	<u>1,577,439</u>	<u>465,523</u>	<u>476,153</u>	<u>2,020,138</u>	<u>2,053,592</u>
Liabilities:						
Current and other liabilities	439,718	148,763	708,577	313,892	1,148,295	462,655
Long-term liabilities outstanding	9,096,541	9,473,213	16,249,039	15,141,326	25,345,580	24,614,539
Total liabilities	<u>9,536,259</u>	<u>9,621,976</u>	<u>16,957,616</u>	<u>15,455,218</u>	<u>26,493,875</u>	<u>25,077,194</u>
Deferred inflows of resources:						
Pension related items	632,111	63,211	74,739	74,739	706,850	137,950
OPEB related items	490,927	61,901	65,103	30,950	556,030	92,851
Total deferred inflows of resources	<u>1,123,038</u>	<u>125,112</u>	<u>139,842</u>	<u>105,689</u>	<u>1,262,880</u>	<u>230,801</u>
Net position:						
Invested in capital assets (net of related debt)	17,546,712	16,548,465	40,434,532	38,662,341	57,981,244	55,210,806
Restricted items	2,340,838	1,826,138	8,095	8,095	2,348,933	1,834,233
Unrestricted	2,139,086	(2,460,517)	2,523,288	1,729,503	4,662,374	(731,014)
Total net position	<u>\$ 22,026,636</u>	<u>\$ 15,914,086</u>	<u>\$ 42,965,915</u>	<u>\$ 40,399,939</u>	<u>\$ 64,992,551</u>	<u>\$ 56,314,025</u>

An additional portion of the City's net position \$1,834,233, or 3.26%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a negative amount of (\$731,014).

Change in Net Position

The City's total net position increased \$8,678,526 over the previous year as a result of an increase of \$6,112,550 from governmental activities and an increase of \$2,565,976 from business-type activities.

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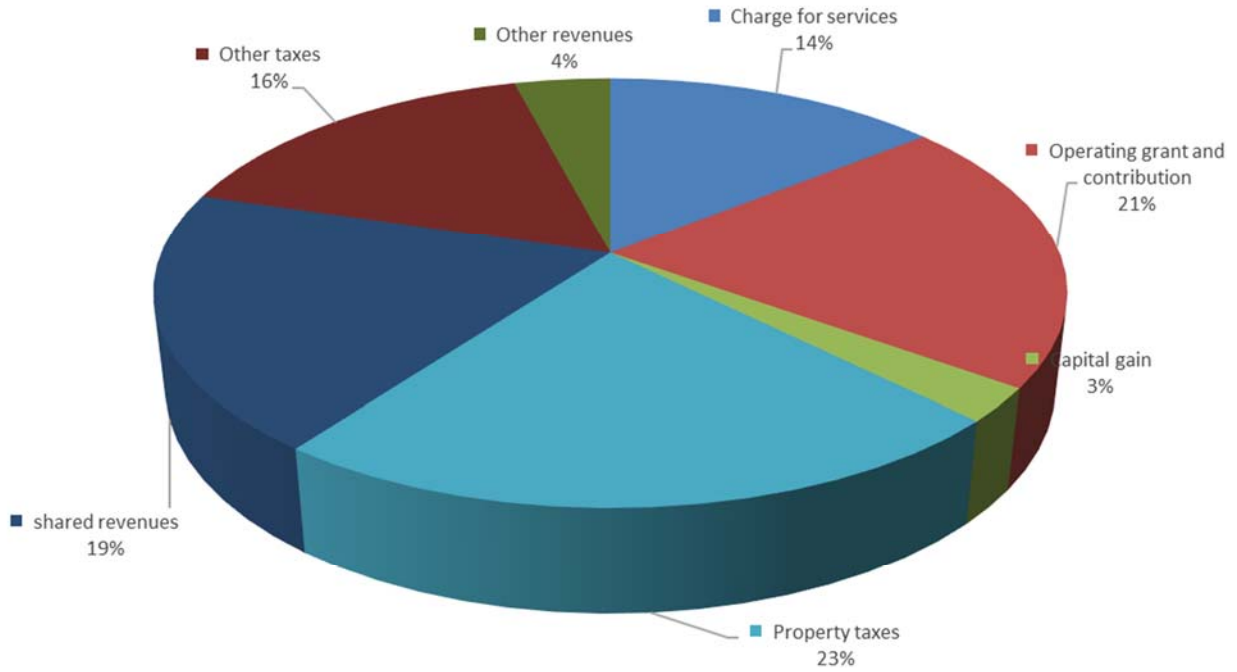
City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

City of Palatka
Changes in Net Position
For the Years Ended September 30, 2021 and 2020

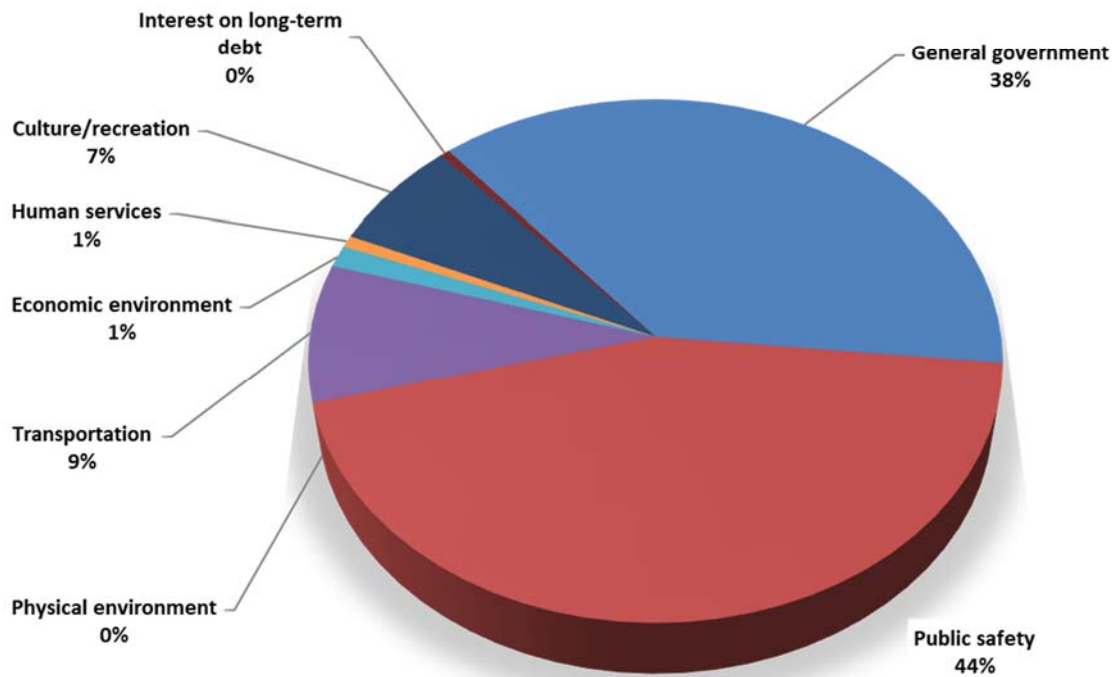
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charge for services	\$ 2,095,275	\$ 1,906,302	\$ 10,875,607	\$ 9,807,008	\$ 12,970,882	\$ 11,713,310
Operating grant and contribution	3,055,592	535,522	-	-	3,055,592	535,522
Capital gain	373,962	1,539,450	1,598,364	3,004,460	1,972,326	4,543,910
General revenues:						
Property taxes	3,348,931	3,191,578	-	-	3,348,931	3,191,578
Sales taxes and other unrestricted shared revenues	2,874,246	2,540,796	-	-	2,874,246	2,540,796
Other taxes	2,401,818	2,261,073	-	-	2,401,818	2,261,073
Other revenues	599,217	474,235	2,738	9,108	601,955	483,343
Total revenues	14,749,041	12,448,956	12,476,709	12,820,576	27,225,750	25,269,532
Program expenses:						
General government	3,682,728	2,428,291	-	-	3,682,728	2,428,291
Public safety	4,330,489	6,240,590	-	-	4,330,489	6,240,590
Physical environment	-	-	-	-	-	-
Transportation	835,937	950,513	-	-	835,937	950,513
Economic environment	129,677	97,331	-	-	129,677	97,331
Human services	70,671	39,416	-	-	70,671	39,416
Culture/recreation	667,579	745,791	-	-	667,579	745,791
Interest on long-term debt	47,482	143,738	-	-	47,482	143,738
Water	-	-	4,813,693	4,584,946	4,813,693	4,584,946
Sanitation	-	-	1,875,406	1,997,853	1,875,406	1,997,853
Golf course	-	-	272,266	268,326	272,266	268,326
Airport	-	-	1,821,296	1,572,433	1,821,296	1,572,433
Total expenses	9,764,563	10,645,670	8,782,661	8,423,558	18,547,224	19,069,228
Increase (decrease) in net assets before transfer in (out)	4,984,478	1,803,286	3,694,048	4,397,018	8,678,526	6,200,304
Transfer in/(out)	1,128,072	809,264	(1,128,072)	(809,264)	-	-
Increase (decrease) in net position	6,112,550	2,612,550	2,565,976	3,587,754	8,678,526	6,200,304
Net position at beginning of year	15,914,086	13,301,536	40,399,939	36,812,185	56,314,025	50,113,721
Net position at end of year	\$ 22,026,636	\$ 15,914,086	\$ 42,965,915	\$ 40,399,939	\$ 64,992,551	\$ 56,314,025

City of Palatka
 Management's Discussion and Analysis (Continued)
 September 30, 2021

**Revenues by Source - Governmental Activities
 For the Year Ended September 30, 2021**



**Expenses by Function - Governmental Activities
 For the Year Ended September 30, 2021**



City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

Business-type Activities

Business-type activities increased the City's net position by \$2,565,976. Key elements of this increase were as follows:

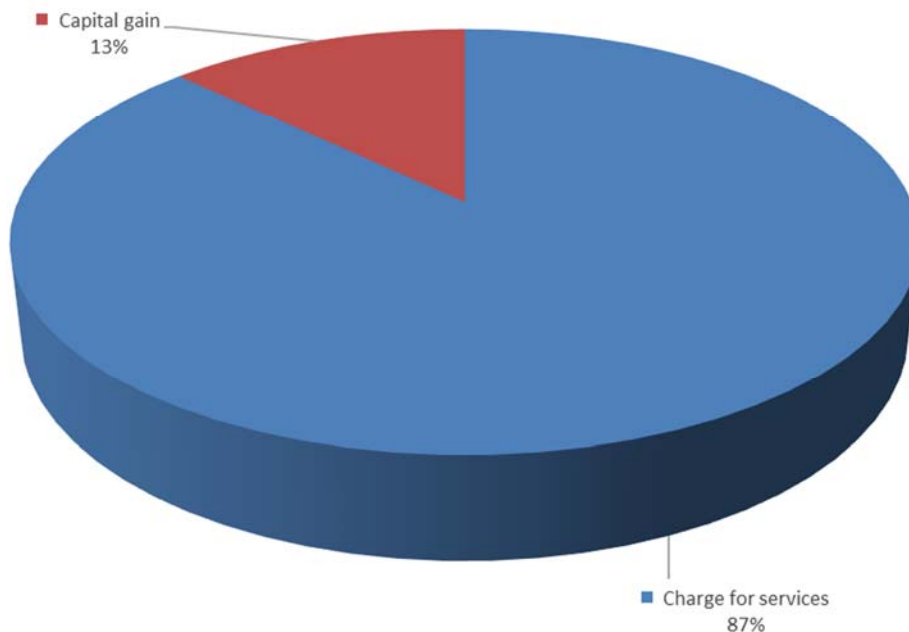
The Water fund had an operating income of \$2,342,176 in addition to net nonoperating expenses of (\$145,100) resulting in gain of \$2,342,176 before capital contributions and transfers. After capital contributions and transfers, the net position increased by \$2,973,527. The net position at the end of the fiscal year in the Water fund totaled \$23,888,655.

The Sanitation fund net position increased by \$363,026 due to operating income of \$680,682, the fund increased from the prior year. The net position at the end of the fiscal year in the Sanitation fund was \$373,193.

The Golf Course fund net position increased by \$3,201 due to transfers from the General Fund. The net position at the end of the fiscal year in the Golf Course fund was \$1,063,422.

The Airport fund received capital contributions of \$45,542 for various capital projects throughout the fiscal year. These funds were used for projects that included pavement, marking, and lighting rehabilitation of taxiways, taxi lanes, and runways. The operating loss for the Airport which includes depreciation totaled \$813,376. This loss combined with a total nonoperating expense was partially offset by the capital contributions, bringing the change in net position of the fund to (\$773,778). The net position at the end of the fiscal year in the Airport fund totaled \$17,637,444.

**Revenues by Source - Business-type Activities
For the Year Ended September 30, 2021**



City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,283,007, an increase of \$5,373,803 (90.94%) in comparison to the prior year. This total includes a nonspendable fund balance of \$162,742, a restricted fund balance of \$2,359,477, a committed fund balance of \$84,244, and an unassigned fund balance of \$8,676,544, which is available for spending at the government's discretion.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$9,231,748, an increase of \$1,612,999, from the prior year.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes decreased by \$198,052 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 6.4000 mills, and generated \$2,779,952 which was an increase of \$110,703 from the prior year. The City is in its sixth year of implementing a special assessment for fire protection services that generated \$1,479,162 in revenues.

Total revenues for the General Fund increased by \$3,251,654 from the prior year.

The General Fund had a decrease of \$90,162 in expenditures, which is essentially status quo from the prior year.

Unassigned fund balance in the General Fund increased by \$583,950 or 21.46% from the prior year.

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

Special Revenue Funds

The Downtown Redevelopment fund balance was \$1,230,744, an increase of \$376,692 from the prior year. This increase was the result of a taxes revenues of \$568,979.

The Better Place Plan fund ended the fiscal year with a balance of \$820,515, an increase of \$218,705 from the prior year. This increase was due to an increase in grant revenues.

Proprietary Funds

Proprietary funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis is financed through user charges. The City operates four proprietary enterprise funds: the Water, Golf Course Fund, Sanitation Fund, and Airport Fund. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of September 30, 2021, total proprietary fund net position amounted to \$42,965,915.

Water Fund

The Water Fund accounts for operations of the City's water and sewer systems. Operating revenue increased by \$670,313 or 9.37% from the prior year. Operating expenses, conversely, increased by a total of \$493,897 or 10.59%. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to \$2,868,201.

Sanitation Fund

There was an increase in operating revenue of \$169,593 or 6.67% from the prior year. Expenses decreased by \$126,096. Unrestricted net position for the sanitation fund equaled \$215,205.

Golf Course Fund

The City entered into a franchise agreement in February 2017 for operation of golf course. Operating revenues booked increased by \$12,750 from the prior year. Operating expenses also increased by \$9,879 or 3.89%, exceeding operating revenues by (\$147,189). Unrestricted net position for the golf course fund equaled negative (\$9,089).

Airport Fund

Operating revenue increased by \$215,943 and operating expenses increased \$250,045 over the prior year. This resulted in a continued negative unrestricted net position balance of (\$551,029) at fiscal year-end.

Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities above.

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

General Fund Budgetary Highlights

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$397,924 more than budgeted, primarily composed of unbudgeted refunds from prior year health insurance claims paid and sale of surplus equipment. There were no significant variances in actual versus final budget expenditures.

Capital Asset and Debt Administration

**City of Palatka Capital Assets (Net of Depreciation)
September 30, 2021 and 2020**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land and Improvements	\$ 4,327,441	\$ 3,961,104	\$ 5,451,229	\$ 4,948,677	\$ 9,778,670	\$ 8,909,781
Buildings and Improvements	2,917,658	3,188,907	13,732,726	14,992,817	16,650,384	18,181,724
Infrastructure	7,994,921	8,095,693	-	-	7,994,921	8,095,693
Furniture and Equipment	2,348,513	2,051,085	2,146,221	2,565,857	4,494,734	4,616,942
Intangibles	-	22,786	-	-	-	22,786
Water/Sewer Distribution System	-	-	7,222,410	7,447,674	7,222,410	7,447,674
Plant Assets and Equipment	-	-	19,251,815	18,757,336	19,251,815	18,757,336
Construction in Progress	1,388,028	1,045,764	4,944,817	1,167,367	6,332,845	2,213,131
Total	\$ 18,976,561	\$ 18,365,339	\$ 52,749,218	\$ 49,879,728	\$ 71,725,779	\$ 68,245,067

Capital Assets

The capital assets of the governmental funds are those assets used in the performance of general governmental functions and exclude the assets of the Enterprise Funds. As of September 30, 2021, the governmental capital assets of the City amounted to \$18,976,561, net of depreciation. This was an increase of \$611,222 over the prior year. 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 City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, (net of accumulated depreciation) amounts to \$71,725,779. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total increase in the City's net investment in capital assets was \$3,480,712.

Major capital asset events during the fiscal year occurred in multiple funds. The city received various grants and private contributions that paid for project costs at the airport and the City's riverfront and historic districts. The capital asset expenditures were for the following:

- Construction of South District Stormwater Improvements
- Hank Bryan and Booker Park Improvements
- Taxiway A Edge Lighting at Airport
- Airport Security Fencing
- Phase V North Side Potable Line Replacement

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

- Palatka Heights Potable Line Replacement
- State Road 20 Road Improvements
- Beneficial Reclaimed Water Project

Additional information on the City's capital assets is found in Note 5 in the notes to the financial statements.

Long-term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$13,517,641.

	City of Palatka Long-term Debt Obligations					
	For the Years Ended September 30, 2021 and 2020					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue Bonds	\$ -	\$ -	\$ 5,620,357	\$ 5,620,357	\$ 5,620,357	\$ 5,620,357
Notes Payable	252,974	336,331	5,698,736	4,274,557	5,951,710	4,610,888
Capital Lease Obligations	1,176,875	1,480,813	650,843	873,376	1,827,718	2,354,189
Water/Sewer Agreements	-	-	117,856	117,856	117,856	117,856
Total	\$ 1,429,849	\$ 1,817,144	\$ 12,087,792	\$ 10,886,146	\$ 13,517,641	\$ 12,703,290

The City's total long-term debt increased \$814,351 from the prior year. The increase is attributed to the following:

- Governmental activities:
 - Payments of notes of \$387,295.
 - No new capital leases.
- Business-type activities:
 - Total payments made of bonds, notes, and leases of \$1,733,399.
 - New State revolving fund loan of \$2,179,612.

Other long-term liability activity included:

- Governmental activities:
 - Governmental obligations for compensated absences decreased by (21.74%) or (\$85,016).
 - Total OPEB obligations increased by \$76,335 or 18.48% to arrive at a total obligation of \$489,466.
 - Net pension liability decreased by \$257,857 or (3.62%) to arrive at a total obligation of \$6,860,619.
- Business-type activities:
 - Compensated absences increased by 8.15% or \$17,095.
 - Total OPEB obligations increased by \$19,789 or 8.80% to arrive at a total obligation of \$244,733.
 - Net pension liability decreased by (\$201,499) or (5.19%) to arrive at a total obligation of \$3,679,206.

City of Palatka
Management's Discussion and Analysis (Continued)
September 30, 2021

Additional information on the City's long-term liabilities can be found in Note 6 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The budget serves as the annual financial plan for the City. It articulates public priorities, helps management make informed choices about the allocation of resources, promotes effective communications, establishes broad goals and management strategies to guide decision making and develops approaches to achieve those goals.

For the FY 2021-2022 budget, City staff proposed a balanced General Fund budget without the use of reserves to balance the budget. The City Commission kept the City's millage rate the same as FY 2020-2021, 6.4000 mills. The inclusion of the annual special assessment for fire protection services allows for the millage rate to avoid an increase.

Water and sewer base meter rates were increased to accommodate for inflation resulting in the Utility Fund budget being balanced with some funds anticipated to be put into reserves. Solid waste rates were increased also to ensure the long-term sustainability of the fund. These increases are necessary in order to maintain capital replacements.

The City continues to assess various cost cutting and revenue enhancing activities at the Palatka Municipal Airport in order to move this community asset toward financial solvency. Rehabilitation of markings, lighting, and pavement on runways, taxiways, and taxi-lanes with 100% grant funding.

Request for Information

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

City of Palatka, Florida
Statement of Net Position
September 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Palatka Gas Authority
Assets:				
Cash and cash equivalents	\$ 10,949,440	\$ 3,046,386	\$ 13,995,826	\$ 1,543,876
Investments	-	-	-	748,049
Accounts receivable, net	536,304	863,914	1,400,218	1,523,802
Internal balances	375,806	(375,806)	-	-
Due from other governments	352,102	578,426	930,528	-
Inventory	-	173,262	173,262	90,346
Restricted cash and cash equivalents	-	2,592,498	2,592,498	-
Restricted investments	-	-	-	1,062,206
Capital assets:				
Nondepreciable	5,715,469	10,396,046	16,111,515	211,364
Depreciable, net	13,261,092	42,353,172	55,614,264	5,609,776
Total assets	<u>31,190,213</u>	<u>59,627,898</u>	<u>90,818,111</u>	<u>10,789,419</u>
Deferred outflows of resources:				
Pension related items	1,477,985	426,426	1,904,411	59,482
OPEB related items	76,630	39,097	115,727	13,701
Total deferred outflows of resources	<u>1,554,615</u>	<u>465,523</u>	<u>2,020,138</u>	<u>73,183</u>
Liabilities:				
Accounts payable and accrued liabilities	431,419	669,196	1,100,615	2,363,385
Deposits	8,299	39,381	47,680	1,314,589
Non-current liabilities:				
Due within in one year	453,796	1,166,251	1,620,047	21,727
Due in more than one year	8,642,745	15,082,788	23,725,533	1,159,059
Total liabilities	<u>9,536,259</u>	<u>16,957,616</u>	<u>26,493,875</u>	<u>4,858,760</u>
Deferred inflows of resources:				
Pension related items	632,111	74,739	706,850	285,814
OPEB related items	58,895	30,048	88,943	8,528
Deferred revenues	490,927	65,103	556,030	-
Total deferred inflows of resources	<u>1,181,933</u>	<u>169,890</u>	<u>1,351,823</u>	<u>294,342</u>
Net position				
Invested in capital assets, net of related debt	17,546,712	40,434,532	57,981,244	5,821,140
Restricted for:				
Law enforcement	86,813	-	86,813	-
Fire safety education	44,200	-	44,200	-
Fire protection	5,841	-	5,841	-
Cemetery improvements	152,725	-	152,725	-
Capital project	820,515	-	820,515	-
Downtown redevelopment	1,230,744	8,095	1,238,839	-
Unrestricted	2,139,086	2,523,288	4,662,374	(111,640)
Total net position	<u>\$ 22,026,636</u>	<u>\$ 42,965,915</u>	<u>\$ 64,992,551</u>	<u>\$ 5,709,500</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statements of Activities
Year Ended September 30, 2021

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government			Componet Unit Palatka gas authority
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 3,682,728	\$ 238,627	\$ 273,522	\$ -	\$ (3,170,579)	\$ -	\$ (3,170,579)	\$ -
Public safety	4,330,489	1,662,111	2,782,070	-	113,692	-	113,692	-
Physical environment	-	-	-	268,527	268,527	-	268,527	-
Transportation	835,937	157,287	-	-	(678,650)	-	(678,650)	-
Economic environment	129,677	-	-	105,435	(24,242)	-	(24,242)	-
Human services	70,671	24,830	-	-	(45,841)	-	(45,841)	-
Culture and recreation	667,579	12,420	-	-	(655,159)	-	(655,159)	-
Interest on long-term debt	47,482	-	-	-	(47,482)	-	(47,482)	-
Total governmental activities	<u>9,764,563</u>	<u>2,095,275</u>	<u>3,055,592</u>	<u>373,962</u>	<u>(4,239,734)</u>	<u>-</u>	<u>(4,239,734)</u>	<u>-</u>
Business-type activities:								
Water	4,813,693	7,153,131	-	1,552,822	-	3,892,260	3,892,260	-
Sanitation	1,875,406	2,542,335	-	-	-	666,929	666,929	-
Golf Course	272,266	106,506	-	-	-	(165,760)	(165,760)	-
Airport	1,821,296	1,073,635	-	45,542	-	(702,119)	(702,119)	-
Total business-type activities	<u>8,782,661</u>	<u>10,875,607</u>	<u>-</u>	<u>1,598,364</u>	<u>-</u>	<u>3,691,310</u>	<u>3,691,310</u>	<u>-</u>
Total primary government	<u>18,547,224</u>	<u>12,970,882</u>	<u>3,055,592</u>	<u>1,972,326</u>	<u>(4,239,734)</u>	<u>3,691,310</u>	<u>(548,424)</u>	<u>-</u>
Componet unit								
Palatka Gas Authority	\$ 2,108,938	\$ 2,169,425	\$ -	\$ 8,400	-	-	-	68,887
General revenues and transfers								
General revenues:								
Property taxes					3,348,931	-	3,348,931	-
Sales tax and intergovernmental unrestricted shared revenues					2,874,246	-	2,874,246	-
Franchise taxes					835,903	-	835,903	-
Utility taxes					1,234,076	-	1,234,076	-
Communications service tax					331,839	-	331,839	-
Investment earnings					6,122	77	6,199	4,537
Contribution from componet unit					189,379	-	189,379	-
Miscellaneous					403,716	2,661	406,377	34,357
Transfers					1,128,072	(1,128,072)	-	-
Total general revenues and transfers					<u>10,352,284</u>	<u>(1,125,334)</u>	<u>9,226,950</u>	<u>38,894</u>
Change in net position					6,112,550	2,565,976	8,678,526	107,781
Net position - beginning of year					15,914,086	40,399,939	56,314,025	5,601,719
Net position - end of year					<u>\$ 22,026,636</u>	<u>\$ 42,965,915</u>	<u>\$ 64,992,551</u>	<u>\$ 5,709,500</u>

The accompanying notes are an integral part of the financial statements

**City of Palatka, Florida
Balance Sheet
Governmental Funds
September 30, 2021**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 8,740,170	\$ 1,237,216	\$ 972,054	\$ 10,949,440
Accounts receivable, net	157,434	-	378,870	536,304
Due from other funds	213,064	-	-	213,064
Due from government	267,668	-	84,434	352,102
Long-term advances to other funds	162,742	-	-	162,742
Total assets	<u>\$ 9,541,078</u>	<u>\$ 1,237,216</u>	<u>\$ 1,435,358</u>	<u>\$ 12,213,652</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 101,902	\$ 6,472	\$ 123,916	\$ 232,290
Unearned revenue	199,129	-	-	199,129
Deposits	8,299	-	-	8,299
Total liabilities	<u>309,330</u>	<u>6,472</u>	<u>123,916</u>	<u>439,718</u>
Deferred inflows of resources				
Unavailable revenue	-	-	490,927	490,927
Fund balances:				
Non-spendable	162,742	-	-	162,742
Restricted	308,218	1,230,744	820,515	2,359,477
Committed	84,244	-	-	84,244
Unassigned	8,676,544	-	-	8,676,544
Total fund balances	<u>9,231,748</u>	<u>1,230,744</u>	<u>820,515</u>	<u>11,283,007</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,541,078</u>	<u>\$ 1,237,216</u>	<u>\$ 1,435,358</u>	<u>\$ 12,213,652</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2021

Fund balance – total governmental funds	\$ 11,283,007
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital assets, net	18,976,561
Long-term liabilities are not reported in the governmental funds	
Bonds and notes payable	(252,974)
Capital leases	(1,176,875)
Compensated absences	(305,984)
Total OPEB liability	(500,089)
Net pension liability	(6,860,619)
Deferred outflows and inflows associated with pensions and OPEB are not reported in the governmental funds.	
Deferred outflows-pension	1,477,985
Deferred inflows-pension	(632,111)
Deferred outflows-OPEB	76,630
Deferred inflows-OPEB	(58,895)
Change in net position of governmental activities	\$ 22,026,636

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Years Ended September 30, 2021

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Total Governmental Funds
Revenues				
Taxes	\$ 4,976,852	\$ 568,979	\$ 1,160,849	\$ 6,706,680
Permits, fees, and special assessments	2,362,449	-	-	2,362,449
Intergovernmental	4,154,807	-	368,527	4,523,334
Charges for services	302,854	-	-	302,854
Fines and forfeitures	54,535	-	-	54,535
Miscellaneous	793,754	5,435	-	799,189
Total revenues	<u>12,645,251</u>	<u>574,414</u>	<u>1,529,376</u>	<u>14,749,041</u>
Expenditures:				
Current:				
General government	2,136,519	-	1,161,023	3,297,542
Public safety	5,981,621	-	-	5,981,621
Transportation	671,825	-	-	671,825
Economic environment	-	129,677	-	129,677
Human services	29,227	-	-	29,227
Culture and recreation	485,070	-	-	485,070
Debt service:				
Principal retirement	151,348	-	126,400	277,748
Interest and fiscal charges	24,234	-	23,248	47,482
Total expenditures	<u>9,479,844</u>	<u>129,677</u>	<u>1,310,671</u>	<u>10,920,192</u>
Excess of revenues over (under) expenditures	<u>3,165,407</u>	<u>444,737</u>	<u>218,705</u>	<u>3,828,849</u>
Other financing sources (uses)				
Transfers in	1,365,562	-	-	1,365,562
Transfers out	(169,445)	(68,045)	-	(237,490)
Capital lease issuance	416,882	-	-	416,882
Total other financing sources (uses)	<u>1,612,999</u>	<u>(68,045)</u>	<u>-</u>	<u>1,544,954</u>
Net change in fund balance	4,778,406	376,692	218,705	5,373,803
Fund balances - beginning of year	<u>4,453,342</u>	<u>854,052</u>	<u>601,810</u>	<u>5,909,204</u>
Fund balances - end of year	<u>\$ 9,231,748</u>	<u>\$ 1,230,744</u>	<u>\$ 820,515</u>	<u>\$ 11,283,007</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Reconciliation Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Statement of Activities
Governmental Funds
Years Ended September 30, 2021

Net change in fund balance – total governmental funds		\$ 5,373,803
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental fund report capital outlay as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.		
Acquisitions of capital assets	1,612,955	
Loss on disposal of capital assets	-	
Current year depreciation expense	<u>(1,001,733)</u>	611,222
The issuance of long-term debt provides current financial resources in governmental funds but does not effect net position of governmental activities.		
Capital lease		(416,882)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment does does not effect net position of governmental activities.		
Principal retirement		277,748
The timing of revenue sometimes differs between governmental funds and governmental activities.		
Change in unavailable revenues		274,276
Net changes in net pension liability and total OPEB liability and related deferred outflows and inflows are reported in the statement of activities but not in the governmental funds.		
Total OPEB liability.	(10,623)	
Deferred inflows-OPEB	<u>3,006</u>	<u>(7,617)</u>
Change in net position of governmental activities		<u>\$ 6,112,550</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Net Position
Proprietary Funds
September 30, 2021

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and cash equivalents	\$ 2,128,891	\$ 912,871	\$ 4,324	\$ 300	\$ 3,046,386
Restricted cash and cash equivalents	2,181,337	375,481	14,289	13,296	2,584,403
Accounts receivable, net	627,369	180,229	56,316	-	863,914
Due from other government	499,569	-	-	78,857	578,426
Inventory	139,316	-	-	33,946	173,262
Prepaid expenses	-	-	-	-	-
Total current assets	<u>5,576,482</u>	<u>1,468,581</u>	<u>74,929</u>	<u>126,399</u>	<u>7,246,391</u>
Noncurrent assets					
Restricted cash and cash equivalents	8,095	-	-	-	8,095
Capital assets, net	31,989,855	731,096	1,529,374	18,498,893	52,749,218
Total noncurrent assets	<u>31,997,950</u>	<u>731,096</u>	<u>1,529,374</u>	<u>18,498,893</u>	<u>52,757,313</u>
Total Assets	<u>\$ 37,574,432</u>	<u>\$ 2,199,677</u>	<u>\$ 1,604,303</u>	<u>\$ 18,625,292</u>	<u>\$ 60,003,704</u>
Deferred outflows of resources					
Pension related	259,766	143,023	-	23,637	426,426
OPEB related	23,458	14,075	-	1,564	39,097
Total deferred outflows of resources	<u>283,224</u>	<u>157,098</u>	<u>-</u>	<u>25,201</u>	<u>465,523</u>
Current liabilities:					
Accounts payable and accrued liabilities	\$ 522,227	\$ 48,736	\$ 577	\$ 97,656	\$ 669,196
Due to other funds	-	-	83,441	129,623	213,064
Deposits	11,370	-	-	28,011	39,381
Current portion of long-term liabilities	556,887	219,880	213,211	176,273	1,166,251
Total current liabilities	<u>1,090,484</u>	<u>268,616</u>	<u>297,229</u>	<u>431,563</u>	<u>2,087,892</u>
Noncurrent liabilities:					
Total OPEB liability	153,088	91,853	-	10,206	255,147
Net pension liability	2,241,262	1,234,001	-	203,943	3,679,206
Advances from other funds	-	-	-	162,742	162,742
Other long-term liabilities	10,420,609	353,228	240,451	134,147	11,148,435
Total noncurrent liabilities	<u>12,814,959</u>	<u>1,679,082</u>	<u>240,451</u>	<u>511,038</u>	<u>15,245,530</u>
Total liabilities	<u>13,905,443</u>	<u>1,947,698</u>	<u>537,680</u>	<u>942,601</u>	<u>17,333,422</u>
Deferred inflows of resources					
Pension related	45,529	25,067	-	4,143	74,739
OPEB related	18,029	10,817	-	1,202	30,048
Deferred revenues	-	-	-	65,103	65,103
Total deferred inflows of resources	<u>63,558</u>	<u>35,884</u>	<u>-</u>	<u>70,448</u>	<u>169,890</u>
Net position					
Net investment in capital assets	21,012,359	157,988	1,075,712	18,188,473	40,434,532
Restricted for capital projects	8,095	-	-	-	8,095
Unrestricted	2,868,201	215,205	(9,089)	(551,029)	2,523,288
Total net position	<u>\$ 23,888,655</u>	<u>\$ 373,193</u>	<u>\$ 1,066,623</u>	<u>\$ 17,637,444</u>	<u>\$ 42,965,915</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Funds
Year Ended September 30, 2021

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 7,152,577	\$ 2,538,837	\$ -	\$ 953,600	\$ 10,645,014
Other operating revenues	554	3,498	106,506	120,035	230,593
Total operating revenues	<u>7,153,131</u>	<u>2,542,335</u>	<u>106,506</u>	<u>1,073,635</u>	<u>10,875,607</u>
Operating expenses					
Personal services	2,092,696	926,492	-	167,584	3,186,772
Physical environment	265,816	-	-	5,502	271,318
Operating expenses	1,237,919	756,760	144,764	823,041	2,962,484
Depreciation	1,069,424	178,401	108,931	813,376	2,170,132
Total expenditures	<u>4,665,855</u>	<u>1,861,653</u>	<u>253,695</u>	<u>1,809,503</u>	<u>8,590,706</u>
Operating income (loss)	<u>2,487,276</u>	<u>680,682</u>	<u>(147,189)</u>	<u>(735,868)</u>	<u>2,284,901</u>
Nonoperating revenues (expenses)					
Investment earnings	77	-	-	-	77
Interest expense	(147,838)	(13,753)	(18,571)	(11,793)	(191,955)
Sale of surplus property	2,661	-	-	-	2,661
Total nonoperating revenues (expenses)	<u>(145,100)</u>	<u>(13,753)</u>	<u>(18,571)</u>	<u>(11,793)</u>	<u>(189,217)</u>
Income (loss) before capital contributions and transfers	2,342,176	666,929	(165,760)	(747,661)	2,095,684
Capital contributions and transfers					
Capital contributions	1,552,822	-	-	45,542	1,598,364
Transfers in	19,586	-	169,445	-	189,031
Transfers out	(941,057)	(303,903)	(484)	(71,659)	(1,317,103)
Total other financing sources (uses)	<u>631,351</u>	<u>(303,903)</u>	<u>168,961</u>	<u>(26,117)</u>	<u>470,292</u>
Net change in fund balance	2,973,527	363,026	3,201	(773,778)	2,565,976
Fund balances - beginning of year	<u>20,915,128</u>	<u>10,167</u>	<u>1,063,422</u>	<u>18,411,222</u>	<u>40,399,939</u>
Fund balances - end of year	<u>\$ 23,888,655</u>	<u>\$ 373,193</u>	<u>\$ 1,066,623</u>	<u>\$ 17,637,444</u>	<u>\$ 42,965,915</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2021

	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	Total Enterprise Fund
Cash flows from operating activities:					
Receipts from customers	\$ 6,769,008	\$ 2,527,507	\$ 148,368	\$ 1,526,023	\$ 10,970,906
Payments to suppliers	(1,180,005)	(758,437)	(144,836)	(701,616)	(2,784,894)
Payments to employees	(2,077,024)	(920,015)	-	(167,784)	(3,164,823)
Net cash provided by (used in) operating activities	<u>3,511,979</u>	<u>849,055</u>	<u>3,532</u>	<u>656,623</u>	<u>5,021,189</u>
Cash flows from non-capital financing activities:					
Transfers in	19,586	-	169,445	-	189,031
Transfers out	(941,057)	(303,903)	(484)	(71,659)	(1,317,103)
Net cash provided by non-capital financing activities	<u>(921,471)</u>	<u>(303,903)</u>	<u>168,961</u>	<u>(71,659)</u>	<u>(1,128,072)</u>
Cash flows from capital and related financing activities:					
Capital contributions	1,552,822	-	1,704	45,542	1,600,068
Acquisition and construct of capital assets	(665,881)	-	-	(476,711)	(1,142,592)
Sale of surplus property	2,661	-	-	-	2,661
Debt issuance	2,179,612	-	-	-	2,179,612
Principal paid on debt	(462,433)	(218,528)	(155,005)	(142,000)	(977,966)
Interest paid on debt	(147,838)	(13,753)	(18,571)	(11,793)	(191,955)
Net cash provided by (used in) capital and related financing activities	<u>2,458,943</u>	<u>(232,281)</u>	<u>(171,872)</u>	<u>(584,962)</u>	<u>1,469,828</u>
Cash flows from investing activities:					
Sale of investments	(1,018,247)	126,397	-	-	(891,850)
Interest received	77	-	-	-	77
Net cash provided by investing activities	<u>(1,018,170)</u>	<u>126,397</u>	<u>-</u>	<u>-</u>	<u>(891,773)</u>
Net increase (decrease) in cash and cash equivalents	4,031,281	439,268	621	2	4,471,172
Cash and cash equivalents at beginning of year	287,042	849,084	17,992	13,594	1,167,712
Cash and cash equivalents at end of year	<u>\$ 4,318,323</u>	<u>\$ 1,288,352</u>	<u>\$ 18,613</u>	<u>\$ 13,596</u>	<u>\$ 5,638,884</u>
Cash flows from operating activities:					
Operating (loss)	\$ 2,487,276	\$ 680,682	\$ (147,189)	\$ (735,868)	\$ 2,284,901
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,069,424	178,401	108,931	813,376	2,170,132
Change in assets and liabilities:					
(Increase) decrease in receivables, net	53,767	(18,330)	(26,900)	17,359	25,896
(Increase) decrease in due from other governments	(460,429)	-	-	322,611	(137,818)
(Increase) decrease in inventory	16,702	-	-	(19,089)	(2,387)
(Increase) decrease in prepaid expenses	610	-	-	1,540	2,150
(Increase) decrease in deferred outflows	6,378	3,827	-	425	10,630
Increase (decrease) in accounts payable and accrued liabilities	332,544	1,051	(72)	60,988	394,511
Increase (decrease) in due to other funds	-	-	68,762	129,623	198,385
Increase (decrease) in compensated absences	-	-	-	-	-
Increase (decrease) in total OPEB liability	6,248	3,749	-	417	10,414
Increase (decrease) in customer deposits	-	-	-	174	174
Increase (decrease) in net pension liability	-	-	-	-	-
Increase (decrease) in deferred inflows	(541)	(325)	-	65,067	64,201
Net cash provided by (used in) operating activities	<u>\$ 3,511,979</u>	<u>\$ 849,055</u>	<u>\$ 3,532</u>	<u>\$ 656,623</u>	<u>\$ 5,021,189</u>
Cash and cash equivalents:					
Unrestricted	\$ 2,128,891	\$ 912,871	\$ 4,324	\$ 300	\$ 3,046,386
Restricted	2,189,432	375,481	14,289	13,296	2,592,498
Total cash and cash equivalents	<u>\$ 4,318,323</u>	<u>\$ 1,288,352</u>	<u>\$ 18,613</u>	<u>\$ 13,596</u>	<u>\$ 5,638,884</u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2021

	Total
Assets	
Investments:	
Money market and other cash equivalents	\$ 1,621,317
Fixed income	3,096,904
Equity	1,657,110
Mutual funds - fixed income	13,203,063
Mutual funds - equities	18,018,489
Pooled/Common/Commingled funds - equity	<u>8,054,905</u>
Total investments	<u>45,651,788</u>
Accounts receivable	<u>162,163</u>
Total assets	<u><u>\$ 45,813,951</u></u>
Liabilities	\$ 38,602
Net position:	
Restricted for pension benefits	<u><u>\$ 45,775,349</u></u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended September 30, 2021

	Total
Additions	
Contributions	
Employer	\$ 2,007,881
Member	371,409
State on behalf, through general fund	<u>135,743</u>
Total contributions	<u>2,515,033</u>
 Investment income	
Net appreciation (depreciation) in fair value of investments	6,511,681
Interest & dividends	928,711
Less investment fee	<u>(147,429)</u>
Net investment income	<u>7,292,963</u>
Total additions	<u>9,807,996</u>
 Deductions	
Member benefits	3,177,383
Withdrawals	183,655
Administrative expense	<u>93,222</u>
Total deductions	<u>3,454,260</u>
Change in net position	6,353,736
 Net position restricted for	
pension benefits, beginning of the year	<u>39,421,613</u>
Net position restricted for	
pension benefits, end of the year	<u><u>\$ 45,775,349</u></u>

The accompanying notes are an integral part of the financial statements

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Palatka, Florida (the “City”), which is located in northeast Florida, was incorporated January 8, 1853 under the Laws of the State of Florida, Chapter 492. The City operates under an elected Mayor-Commissioner and a Board of Commissioners (four members) and provides human services, community enrichment and development, law enforcement, fire protection, and rescue service.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable, or entities that would be misleading to exclude. The component units are included in the reporting entity because of the significance of their operational relationship with the City. The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the City’s operations and, accordingly, data from these units are combined with the data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Blended Component Unit

The Palatka Downtown Redevelopment Agency (the “Agency”) is a legally separate entity created pursuant to Florida Statutes following the adoption of an approving Resolution (No. 4-12, dated November 10, 1983) by the City. The Agency is governed by a five-member board whose members are the same as the City Commission, and a financial benefit or burden relationship exists. The operations of the Agency are reported in a governmental fund.

Discretely Presented Component Unit

The Palatka Gas Authority (the “Gas Authority”) was created by an Act of the Florida Legislature (Ch. 59-1679, Act 1959) and ratified by election on November 10, 1959. The members of the Gas Authority’s governing board are appointed by the City Commission. Additionally, bond issues and operational and capital budgets must be approved by the City Commission. Annually, the Gas Authority provides a contribution to the City from its net income. The contribution is 5.9% of gross revenues on a monthly basis.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit (Continued)

Complete financial statements of the Gas Authority can be obtained directly from:

The Palatka Gas Authority
518 Main Street
Palatka, Florida 32177

Related Organization

The Palatka Housing Authority (the “Housing Authority”) was established by the City in 1962 pursuant to Chapter 421, Florida Statutes. The purpose of the Housing Authority is to provide affordable housing to the Palatka community and surrounding areas. The Housing Authority is considered a related organization because its Board members are appointed by the Mayor of the City of Palatka. The City is not financially accountable for the Housing Authority, nor does it meet other criteria of a component unit and, accordingly, the Housing Authority is not included in the accompanying financial statements.

Joint Ventures

The City did not participate in any joint ventures during the 2020-2021 fiscal year.

Basis of Presentation

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. 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.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (Continued)

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*.

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund – the primary operating fund, used to account for and report all financial resources not accounted for and reported in another fund.

Downtown Redevelopment Agency Fund – to account for the collection and use of tax increment funds of the City’s Downtown Redevelopment Agency.

Better Place Plan Capital Project Fund – to account for revenues received from a discretionary surtax imposed to finance certain capital projects.

The City reports the following major enterprise funds:

Water Fund – to account for the assets, operation and maintenance of the City-owned water and sewer system.

Sanitation Fund – to account for the assets, operation and maintenance of the City’s solid waste department.

Golf Course Fund – to account for the assets, operation and maintenance of the City-owned golf course, which is operated by a third-party vendor.

Airport Fund – to account for the assets, operation and maintenance of the City-owned airport.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Additionally, the City reports the following fiduciary funds:

Pension Trust Funds – to account for activities of the City’s pension plans.

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most 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.

Cash and Cash Equivalents

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

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Enterprise Funds are net of a \$5,847 allowance. Accounts receivable of the Gas Authority are net of \$14,567 allowance.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value based on quoted market prices when available, except for money market investments, which are reported at cost, which approximates fair value.

Inventories

Inventories are stated at cost, based on the first-in, first-out method. Expense is charged as items are consumed.

Long-term Receivables

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet, without regard to the fund's measurement focus. However, special reporting treatment is used to indicate that these receivables are not considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans and advances receivable 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.

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 City generally uses a capitalization threshold of \$5,000 for all classes of capital assets, other than intangible assets and infrastructure. Intangible assets, such as computer software, have a capitalization threshold of \$10,000. General infrastructure assets, such as dirt to pavement roads, mill and resurface road projects and all sidewalk projects, have a capitalization threshold of \$100,000.

The City began prospective reporting of general infrastructure assets at the effective date of GASB Statement No. 34. Effective October 1, 2006, the City began retroactive reporting of all major general governmental infrastructure assets. The estimated cost of the initial reporting of these assets was obtained through backtrending (i.e. estimating the current replacement cost of the infrastructure and using appropriate indices to deflate the cost to the estimated acquisition year). The reported values exclude basic road resurfacing, or other normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation and amortization of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	Years
Buildings and improvements	30
Furniture and equipment	3 - 10
Intangibles	10
Water and sewer distribution system	15 - 50
Plant assets and equipment	20 - 50
General infrastructure	35 - 50

For its business-type activities, the City’s policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2021.

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, proprietary, and fiduciary fund financial statements.

Compensated Absences

The City’s policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In prior years, compensated absence liabilities associated with governmental funds were liquidated by the General Fund and Downtown Redevelopment Agency Fund, the funds that incurred the liabilities.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2021, property taxes receivable was not material.

Details of the City'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

Operating Revenues and Expenses

The enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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's General, Police Officers', and Firefighters' Pension Plans (the "Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

Deferred Outflow/ Inflows of Resources

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

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

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position

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

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

The City has no net position restricted by enabling legislation.

Fund Balance

The City 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 City 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 (a) the City Commission or (b) 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.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

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 City’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

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	Componet Unit
Statement of net position:		
Cash and equivalents	\$ 13,995,826	\$ 1,543,876
Restricted cash and equivalents	2,592,498	748,049
Restricted investments	-	1,062,206
Statement of fiduciary net position:		
Money market and other cash equivalents	1,621,317	-
Investments	44,030,471	-
Total deposits and investments	\$ 62,240,112	\$ 3,354,131

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Primary Government	Componet Unit
Deposits with financial institutions (including certificates of deposit)	\$ 18,209,641	\$ 2,291,925
Investments - other than pension	-	1,062,206
Investments - pension	44,030,471	-
Total deposits and investments	\$ 62,240,112	\$ 3,354,131

Deposits

All of the City’s and the Gas Authority’s demand deposits, certificates of deposit, and money market accounts 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 City 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.

The City’s investments at September 30, 2021 are summarized in the following table:

		Maturities			
		0-5 years	5-10 years	10+ years	n/a
Pension investments:					
Fixed income	\$ 3,096,904	\$ 3,096,904	\$ -	\$ -	\$ -
Equity	1,657,110	770,399	493,755	392,956	-
Mutual funds (fixed income)	13,203,063	-	-	-	13,203,063
Mutual funds (equities)	18,018,489	-	-	-	18,018,489
Pooled/Common/Commingled funds - equity	8,054,905	-	-	-	8,054,905
Total pension investments	\$ 44,030,471	\$ 3,867,303	\$ 493,755	\$ 392,957	\$ 39,276,457

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City’s investments in debt securities are rated as follows:

Corporate Bonds and Notes		Government Agencies	
Aaa	9%	Aaa	100%
A1	10%	0	-
A2	17%	0	-
A3	44%	0	-
BAA1	6%	0	-
BAA2	14%	0	-
Not rated	-	Not rated	-
100%		100%	

The City’s investments in mutual funds and money markets are not rated for credit quality by a nationally recognized statistical rating organization.

The City is not exposed to foreign currency risk, but is exposed to the following investment risks:

Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment.

Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City’s exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. However, the City’s three pension plans have each adopted investment policies that address the risks described above and set other investing guidelines. Those policies require the investments to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt must be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Furthermore, the policies of the Police Officers’ and Firefighter Plans require diversification to the extent practical to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer or bank in which the financial instruments are bought and sold.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The policies of the General Pension Plan place restrictions on investments, including limits as to quality ratings of at least Standard & Poor’s A1 or Moody’s P-1 for cash instruments; Standard and Poor’s BBB or Moody’s Baa for bonds or other evidences of indebtedness; corporations listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market for equities; real estate investments (REITs) that trade on a major exchange; or obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

NOTE 3 – FAIR VALUE MEASUREMENT

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2021:

- Government bonds and notes – U.S. Treasury bonds and notes are valued using quoted market prices.
- Government agencies - U.S. Agencies are valued using a matrix pricing model.
- Corporate bonds and notes – Valued using quoted market prices.
- Mutual funds – Valued at the daily closing price as reported by the fund.

The following table summarizes the City’s assets for which fair values are determined on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Fixed income	\$ 3,096,904	\$ 3,096,904	\$ -	\$ -
Equity	1,657,110	1,410,612	246,498	-
Mutual funds (fixed income)	18,018,489	13,203,063	-	-
Mutual funds (equities)	13,203,063	11,239,083	1,963,980	-
Pooled/Common/Commingled funds - equity	8,054,905	6,856,723	1,198,182	-
Total pension investments	44,030,471	35,806,386	3,408,659	-

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2021, interfund balances consist of:

- A long-term advance from the General Fund to the Airport Fund of \$162,742.
- Temporary loans from the General Fund to Airport Fund and Golf Course Fund of \$129,623 and \$83,441, respectively, expected to be repaid within the next fiscal year.

Interfund transfers for the year ended September 30, 2021 consisted of the following:

Transfers from:	General fund	Downtown redev. fund	Water	Sanitation	Golf Course	Airport	Total
Transfers to:							
General fund	\$ -	\$ 48,459	\$ 941,057	\$ 303,903	\$ 484	\$ 71,659	\$ 1,365,562
Water fund	-	19,586	-	-	-	-	19,586
Golf course fund	169,445	-	-	-	-	-	169,445
Total	\$ 169,445	\$ 68,045	\$ 941,057	\$ 303,903	\$ 484	\$ 71,659	\$ 1,554,593

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

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 5 – CAPITAL ASSETS ACTIVITY

During the year ended September 30, 2021, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2020	Additions	Deletions	Transfers	Balance September 30, 2021
Governmental activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 3,961,104	\$ 366,337	\$ -	\$ -	\$ 4,327,441
Construction in progress	1,045,764	342,264	-	-	1,388,028
Total not being depreciated	5,006,868	708,601	-	-	5,715,469
Capital assets being depreciated:					
Buildings and improvements	8,540,311	15,927	-	-	8,556,238
Infrastructure	16,937,820	242,841	-	-	17,180,661
Furniture and equipment	5,108,257	645,586	157,094	-	5,596,749
Intangibles	247,544	-	-	-	247,544
Total being depreciated	30,833,932	904,354	157,094	-	31,581,192
Less accumulated depreciation for:					
Buildings and improvements	5,351,404	287,176	-	-	5,638,580
Infrastructure	8,842,127	343,613	-	-	9,185,740
Furniture and equipment	3,057,172	348,158	157,094	-	3,248,236
Intangibles	224,758	22,786	-	-	247,544
Total accumulated depreciation	17,475,461	1,001,733	157,094	-	18,320,100
Total being depreciated, net	13,358,471	(97,379)	-	-	13,261,092
Governmental activities capital assets, net	\$ 18,365,339	\$ 611,222	\$ -	\$ -	\$ 18,976,561

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:	
General government	\$ 350,522
Public safety	263,146
Transportation	164,112
Human services	41,444
Culture and recreation	182,509
Total depreciation expense governmental activities	\$ 1,001,733

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 5 – CAPITAL ASSETS ACTIVITY (CONTINUED)

	Balance October 1, 2020	Additions	Deletions	Transfers	Balance September 30, 2021
Business-type activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 4,948,677	\$ 41,380	\$ -	\$ 461,172	\$ 5,451,229
Construction in progress	1,167,367	4,238,622	-	(461,172)	4,944,817
Total not being depreciated	6,116,044	4,280,002	-	-	10,396,046
Capital assets being depreciated:					
Buildings and improvements	25,748,176	57,922	-	-	25,806,098
Furniture and equipment	5,562,333	35,816	-	-	5,598,149
Water and sewer distribution system	13,080,811	37,094	-	-	13,117,905
Plant assets and equipment	36,349,311	628,788	-	-	36,978,099
Total being depreciated	80,740,631	759,620	-	-	81,500,251
Less accumulated depreciation for:					
Buildings and improvements	10,755,359	1,318,013	-	-	12,073,372
Furniture and equipment	2,996,476	455,452	-	-	3,451,928
Water and sewer distribution system	5,633,137	262,358	-	-	5,895,495
Plant assets and equipment	17,591,975	134,309	-	-	17,726,284
Total accumulated depreciation	36,976,947	2,170,132	-	-	39,147,079
Total being depreciated, net	43,763,684	(1,410,512)	-	-	42,353,172
Business-types activities capital assets, net	\$ 49,879,728	\$ 2,869,490	\$ -	\$ -	\$ 52,749,218

Depreciation expense was charged to the functions of the primary government as follows:

Business-type activities:

Water	\$ 1,069,424
Sanitation	108,931
Golf Course	178,401
Airport	813,376
Total depreciation expense business-type activities	\$ 2,170,132

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 5 – CAPITAL ASSETS ACTIVITY (CONTINUED)

	Balance October 1, 2020	Additions	Deletions	Transfers	Balance September 30, 2021
Gas Authority capital assets					
Capital assets not being depreciated:					
Land	\$ 211,543	\$ -	\$ -	\$ -	\$ 211,543
Total not being depreciated	<u>211,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,543</u>
Capital assets being depreciated:					
Buildings and improvements	1,467,709	36,920	-	-	1,504,629
Furniture and equipment	1,220,534	41,397	-	-	1,261,931
Plant assets and equipment	7,221,043	146,388	-	-	7,367,431
Total being depreciated	<u>9,909,286</u>	<u>224,705</u>	<u>-</u>	<u>-</u>	<u>10,133,991</u>
Less accumulated depreciation for:					
Buildings and improvements	470,536	39,789	-	-	510,325
Furniture and equipment	911,930	105,062	-	-	1,016,992
Plant assets and equipment	2,920,440	175,746	-	-	3,096,186
Total accumulated depreciation	<u>4,302,906</u>	<u>320,597</u>	<u>-</u>	<u>-</u>	<u>4,623,503</u>
Total being depreciated, net	<u>5,606,380</u>	<u>(95,892)</u>	<u>-</u>	<u>-</u>	<u>5,510,488</u>
Gas Authority capital assets, net	<u>\$ 5,817,923</u>	<u>\$ (95,892)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,722,031</u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS

Revenue Bonds and Notes:

Governmental Activities

\$850,000 Fire truck loan, payable in quarterly installments through 10/1/2021, plus interest at 3.85%, revenue source - non-ad valorem revenues.	\$	23,675
\$300,000 North CRA road project loan, payable in annual installments ranging from \$10,706 to \$20,376 through February 2039, plus interest at 3.64%, payable semiannually, revenue source - non-ad valorem revenues.		229,299
	Total	\$ 252,974

Business-type Activities

\$5,620,357 Florida Municipal Loan Council Refunding Revenue Note, Series 2020; payable in varying installments through October 1, 2040, bearing a fixed interest rate of 2.73%, secured by a pledge of Half-Cent Sales Tax Revenues, Public Service Tax Revenues, and Communications Service Tax Revenues. Interest payments are due every April 1 beginning on April 1, 2021. Principal and interest payments are due every October 1, beginning October 1, 2021.		5,620,357
\$4,268,622 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$142,476, including interest at 2.61%, through January 2029, from net revenues of the water and sewer system. The proceeds were used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that was not covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$3,125,704. During the current year, the City recognized net revenues of \$2,384,388, and paid principal and interest payments in the amount of \$284,080.		2,043,284
\$7,853,000 Drinking Water State Revolving Fund Loan, plus estimated \$20,000 capitalized interest, less principal forgiveness of \$1,210,796, payable in semiannual installments of \$175,506, including interest at 0.32%, beginning December 15, 2020 through December 2040, from net revenues of the water and sewer system. The proceeds are being used for Water Main Improvements. The approximate amount of the pledge is equal to the remaining principal and interest of \$429,640. During the current year, the City drew \$425,554 of the available loan, recognized net revenues of \$2,070,189, and paid principal and interest payments in the amount of \$0.		2,605,166

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

<p>\$500,000 February 2019 emergency loan for improvements to sewer system, plus interest at 3.37%. Interest will be annually at February 2020 and February 2021 and principal will be due in a lump sum payment in February 2021. The proceeds are being used for sewer system improvements. The loan is unsecured. During the current year, no payments were due or made.</p>	458,286
<p>\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$283,644. During the current year, the City had recognized net revenues of \$30,482 and made \$58,988 principal and interest payments.</p>	102,000
<p>\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$464,984. During the current year, the City had recognized net revenues of \$30,482 and made \$88,502 principal and interest payments.</p>	169,000
<p>\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual installments, plus interest at 4.25% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$844,886. During the current year, the City had deficit net revenues of \$20,206 and made \$169,274 principal and interest payments.</p>	321,000
Total	\$ 11,319,093

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Aggregate maturities of revenue bonds and notes payable are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 34,771	\$ 10,003	\$ 818,810	\$ 222,083
2023	11,500	9,409	911,952	199,285
2024	11,918	8,983	629,363	178,595
2025	12,352	8,541	639,779	165,783
2026	12,802	8,083	654,010	152,640
2027-2031	71,347	32,944	2,895,594	564,529
2032-2036	85,312	18,725	2,265,540	335,994
2037-2041	12,972	1,803	2,438,916	118,428
2042-2046	-	-	65,129	-
Totals	\$ 252,974	\$ 98,490	\$ 11,319,093	\$ 1,937,337

Governmental Activities – Changes in Long-term Liabilities

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021	Due Within One Year
	Revenue bonds and notes			\$ 336,331	\$ -
Capital leases	1,480,813	-	303,938	1,176,875	312,025
Compensated absences	305,984	-	-	305,984	107,000
Total OPEB liability	489,466	10,623	-	500,089	-
Net pension liability	6,860,619	-	-	6,860,619	-
Totals	\$ 9,473,213	\$ 10,623	\$ 384,197	\$ 9,096,541	\$ 453,796

In prior years, net pension liabilities and OPEB obligations associated with governmental funds were liquidated by the General Fund.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities – Changes in Long-term Liabilities

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021	Due Within One Year
Florida Municipal Loan Council refunded revenue bonds series 2020	\$ 5,620,357	\$ -	\$ -	\$ 5,620,357	\$ 201,280
Drinking water state revolving fund loan	2,490,667	-	447,383	2,043,284	232,629
State revolving fund loan	425,554	2,179,612	-	2,605,166	65,129
Emergency water fund loan	473,336	-	15,050	458,286	24,772
Golf revenue note series 2013A	472,000	-	151,000	321,000	157,000
Airport revenue note series 2013B	156,000	-	54,000	102,000	52,000
Airport revenue note series 2013C	257,000	-	88,000	169,000	86,000
Total revenue bonds and notes	9,894,914	2,179,612	755,433	11,319,093	818,810
Capital leases	873,376	-	222,533	650,843	215,135
County water/sewer agreement	106,563	-	-	106,563	-
SJRWMD water/sewer agreement	11,293	-	-	11,293	-
Compensated absences	226,893	-	-	226,893	132,320
Total OPEB liability	244,733	-	-	244,733	-
Net pension liability	3,679,206	-	-	3,679,206	-
Totals	\$ 15,036,978	\$ 2,179,612	\$ 977,966	\$ 16,238,624	\$ 1,166,265

The City has long-term water/sewer agreements with the St. Johns River Water Management District and Putnam County, which are liquidated when permit costs are incurred or new business hook-ups are made in the Highway 19 corridor.

Capital Leases

Governmental Activities

During the fiscal year, the City continued to pay a 389,000, 2.04% capital lease for police vehicles due in semi-annual installments of approximately \$45,000, a \$56,400, 1.8% capital lease for a rescue vehicle due in semi-annual installments of approximately \$4,000, a \$680,000, 3.38% capital lease for fire engine due in quarterly installments of approximately \$75,000 to \$85,000, and \$266,559 capital lease for vehicles at 3.288% due in semi-annual installments of approximately \$29,000. During the fiscal year, the City entered into a \$514,940 capital lease for vehicles at 3.280% due in annual installments of approximately \$81,000. These leases are payable from the General Fund and reported in governmental activities in furniture and equipment.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities

Additionally, the City has a \$257,100, 2.44% capital lease for a sanitation truck due in semi-annual payments of approximately \$20,000, a \$289,257, 2.04% capital lease for a sanitation truck in semi-annual payments of approximately \$23,000 and a 419,000, 1.80% capital lease for two sanitation trucks in semi-annual payments of approximately \$30,000. All three leases are payable from the Sanitation Fund and are reported in business-type activities in furniture and equipment. During the fiscal year, the City entered into a \$274,223 capital lease for a sanitation rearloader and vehicles for the airport at 3.28% with annual payments of \$2,513 which is payable from the Sanitation and Airport Funds.

Future lease payments, together with the present value of the minimum lease payments, are summarized in the following tabulation:

	Governmental Activities	Business-type Activities
2022	\$ 312,025	\$ 215,135
2023	237,557	167,256
2024	239,790	143,580
2025	180,409	93,308
2026	74,517	29,101
2027-2031	239,005	2,481
Less: amount representing interest	(106,428)	(53,702)
Present value of net minimum lease payments	\$ 1,176,875	\$ 597,158

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES

The following schedule displays restricted assets, liabilities payable from those assets, and restricted net position of the City’s business-type activities:

	Business-type Activities
Restricted assets:	
Cash and equivalent	\$ 2,592,498
Total	2,592,498
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	818,810
Interest	222,083
Payable from current portion of debt service	1,040,893
Long-term debt service payable from restricted assets	\$ 1,551,605

NOTE 8 – FUND BALANCE CLASSIFICATIONS

	General fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Total Governmental Funds
Nonspendable:				
Advances	\$ 162,742	\$ -	\$ -	\$ 162,742
Restricted for:				
Law enforcement	76,841	-	-	76,841
Fire safety education	44,200	-	-	44,200
Fire protection	5,841	-	-	5,841
Programming and recreation	6,611	-	-	6,611
Cemeter improvements	152,725	-	-	152,725
Capital projects	22,000	-	820,515	842,515
Downtown redevelopment	-	1,230,744	-	1,230,744
Total restricted	308,218	1,230,744	820,515	2,359,477
Committed for:				
Law enforcement	9,972	-	-	9,972
Tree mitigation	3,579	-	-	3,579
Demolition and lot cleanup	70,693	-	-	70,693
Total committed	84,244	-	-	84,244
Unassigned	8,676,544	-	-	8,676,544
Total fund balance	\$ 9,231,748	\$ 1,230,744	\$ 820,515	\$ 11,283,007

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS

Defined Benefit Plan

Plan Description. The City sponsors a single-employer public employee retirement system (the “System”) administered by the City of Palatka, Pension Boards of Trustees. 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 Police Officer Pension Board and Firefighters Pension Board each consist of two City Commission appointees, two members of the Plan elected by a majority of the other covered members and a fifth member elected by the other four board trustees and appointed by the City Commission. The System administers the City Employees Retirement Plan (the “Plan”) which provides three employee contributory defined benefit pension plans. Members of the Plan include employees of the City and the Palatka Gas Authority. Nonemployer contributions are made by the State of Florida on behalf of Police Officers and Firefighters who participate in the System. For the year ended September 30, 2021, the City recognized \$86,172 and \$49,572 in the General Fund for State contributions to the Police Officers’ and Firefighters’ Retirement Funds, respectively. The City accounts for the Plan in three Pension Trust Funds, corresponding to three benefit groups as follows:

General – all members not included in Police Officers and Firefighters

Police Officers – all state-certified police officers

Firefighters – all state-certified firefighters

The Plan provides for vesting of benefits after 7 years of creditable 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. Police officer members are eligible at the earlier of: 1) age 50 and 7 years of credited service, 2) age 55 and 10 years of credited service, 3) age 52 and 25 years of credited service, or 4) 30 years of credited service, regardless of age. Firefighter members are eligible at the earlier of: 1) age 50 and 7 years of credited service for those hired before January 1, 2016, or age 50 and 10 years of credited service for those hired on or after January 1, 2016, 2) age 55 and 10 years of credited service, or 3) 25 years of credited service, regardless of age. The Plan also provides for disability, retirement, termination and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer, and firefighter members, annual benefits for plan years 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). In addition, police officer and firefighter members also will receive a supplement funded with Chapter 185 or 175, F.S., as applicable, Premium Tax monies equal to 0.63% and 0.79%, respectively, of final average compensation times credited service. No other changes in benefit provisions have been made for the plan year beginning October 1, 2017. The minimum benefit for duty disability is 45% of final average compensation for general, police officer and firefighter members. 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.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

The Boards of Trustees establish and may amend provisions of the plan related to participant eligibility, contribution requirements, vesting, and benefit provisions. However, these plan provisions are subject to minimum requirements established in Chapters 112, 175, and 185, Florida Statutes. The Plan does not issue a stand-alone financial report.

Current membership in the Plan as of September 30, 2021 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	121	32	14	167
Inactive plan members entitled to but				
not yet receiving benefits	31	17	11	59
Active plan members	88	27	21	136
Total	240	76	46	362

Contributions. Contributions consist of the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. Employees are required to contribute 6.00% of their annual salary.

Concentrations. As of September 30, 2021, the Plans did not hold investments in any one organization that represents 5% or more of the Plans' fiduciary net position.

Rate of Return. For the year ended September 30, 2021, the annual money-weighted rate of return on General, Police Officers, and Firefighters Pension Plans investments, net of pension plan investment expense was 4.35%, 3.58%, and 3.77%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP). Eligibility is met with satisfaction of normal retirement requirements. Participation is not to exceed five years, or for police officers and firefighters, beyond attaining 35 or 34 years, respectively, of credited service, if earlier. General and Police DROP participants may choose actual net rate of return as reported by the Fund's monitor each September 30 or a fixed 6.5% per annum compounded monthly. Effective beginning with the year ending September 30, 2008 the rate of return was limited to 0% for general members in DROP. Rate for Firefighter DROP participants is the greater of: 1) net rate of investment return or 2) 5.0%. The DROP balance as of September 30, 2021 was \$240,295, \$181,536 and \$0, respectively, for general, police officer and firefighters.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated October 1, 2019 and rolled forward to that date.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

The components of the net pension liability for the plans at September 30, 2021 were as follows:

	City of Palatka - General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 21,592,329	\$ 5,774,374	\$ 27,366,703
Plan fiduciary net position	(17,453,540)	(4,667,550)	(22,121,090)
Net pension liability	\$ 4,319,434	\$ 926,179	\$ 5,245,613

Pension fiduciary net position as a percentage of the total pension liability	80.83%	80.83%	80.83%
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	Police Officers'	Firefighters'
Total pension liability	\$ 14,244,804	\$ 11,472,426
Plan fiduciary net position	(13,708,729)	(9,945,530)
Net pension liability	\$ 536,075	\$ 1,526,896

Pension fiduciary net position as a percentage of the total pension liability	96.24%	86.69%
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Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2019, rolled forward to September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers	Fire Fighters
Investment rate of return	7.40%	7.50%	7.50%
Projected salary increases*	Service based	Service based	Service based
* Includes inflation at	2.7%	2.7%	2.7%
Post Retirement COLA	0.0%	0.0%	0.0%

The most recent actuarial experience study for which significant assumptions are based upon was dated September 20, 2016 for the General Plan, and September 19, 2016 for Police Officers' and Firefighters' Plans.

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.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in all three pension plans' target asset allocations as of September, 30 2021 are summarized in the following table:

Asset class:	Target Allocation			Long-term
	General	Police Officers'	Firefighters'	Expected Real
				Rate of Return
				All Plans
Domestic equity	27.0%	32%	32%	8.50%
Internation equity	15.0%	15%	15%	4.10%
Bonds	34.0%	25%	25%	3.70%
High yields bonds	5.0%	5%	5%	6.40%
Convertibles	8.0%	8%	8%	7.90%
REITS	5.0%	5%	5%	7.90%
Infrastructure	5.0%	5%	5%	6.40%
Cash	1.0%	5%	5%	0.50%
Total	100%	100%	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.70% for each Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (General)

	Total Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 26,514,216	\$ 19,147,026	\$ 7,367,190
Changes for the year:			
Service cost	462,352	-	462,352
Interest	1,952,058	-	1,952,058
Difference between expected and actual experience	246,792	-	246,792
Changes of assumptions	89,552	-	89,552
Contributions-employer	-	1,259,075	(1,259,075)
Contributions-employees	-	212,266	(212,266)
Net investment income	-	3,437,739	(3,437,739)
Benefit payments, including refunds of employee contributions	(1,898,267)	(1,898,267)	-
Administrative expense	-	(36,749)	36,749
Net changes	852,487	2,974,064	(2,121,577)
Balance - end of year	\$ 27,366,703	\$ 22,121,090	\$ 5,245,613

	City of Palatka		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 20,919,716	\$ 15,107,004	\$ 5,812,713
Changes for the year:			
Service cost	364,796	-	364,796
Interest	1,540,174	-	1,540,174
Difference between expected and actual experience	194,719	-	194,719
Changes of assumptions	70,657	-	70,657
Contributions-employer	-	993,410	(993,410)
Contributions-employees	-	167,478	(167,478)
Net investment income	-	2,712,376	(2,712,376)
Benefit payments, including refunds of employee contributions	(1,497,733)	(1,497,733)	-
Administrative expense	-	(28,995)	28,995
Net changes	672,612	2,346,536	(1,673,924)
Balance - end of year	\$ 21,592,329	\$ 17,453,540	\$ 4,138,789

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

	Palatka Gas Authority		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 5,594,500	\$ 4,040,022	\$ 1,554,477
Changes for the year:			
Service cost	97,556	-	97,556
Interest	411,884	-	411,884
Difference between expected and actual experience	52,073	-	52,073
Changes of assumptions	18,895	-	18,895
Contributions-employer	-	265,665	(265,665)
Contributions-employees	-	44,788	(44,788)
Net investment income	-	725,363	(725,363)
Benefit payments, including refunds of employee contributions	(400,534)	(400,534)	-
Administrative expense	-	(7,754)	7,754
Net changes	179,875	627,528	(447,653)
Balance - end of year	\$ 5,774,374	\$ 4,667,550	\$ 1,106,824

Changes in the Net Pension Liability (Police Officers')

	Police Officers'		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 13,487,101	\$ 11,861,929	\$ 1,625,172
Changes for the year:			
Service cost	230,013	-	230,013
Interest	998,166	-	998,166
Difference between expected and actual experience	345,990	-	345,990
Changes of assumptions	-	-	-
Contributions-Employer	-	248,264	(248,264)
Contributions-State	-	86,172	(86,172)
Contributions-Employees	-	86,959	(86,959)
Net investment income	-	2,271,232	(2,271,232)
Benefit payments, including refunds of employee contributions	(816,466)	(816,466)	-
Administrative expense	-	(29,361)	29,361
Net changes	757,703	1,846,800	(1,089,097)
Balance - end of year	\$ 14,244,804	\$ 13,708,729	\$ 536,075

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Firefighters')

	Firefighters'		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 11,341,391	\$ 8,412,658	\$ 2,928,733
Changes for the year:			
Service cost	254,615	-	254,615
Interest	845,464	-	845,464
Difference between expected and actual experience	(322,737)	-	(322,737)
Changes of assumptions	-	-	-
Contributions-Employer	-	500,542	(500,542)
Contributions-State	-	49,571	(49,571)
Contributions-Employees	-	72,184	(72,184)
Net investment income	-	1,583,992	(1,583,992)
Benefit payments, including refunds of employee contributions	(646,305)	(646,305)	-
Administrative expense	-	(27,112)	27,112
Net changes	131,037	1,532,872	(1,401,835)
Balance - end of year	\$ 11,472,428	\$ 9,945,530	\$ 1,526,898

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Net Pension Liability	1% Decrease	Current	
		Discount Rate	1% Increase
	6.40%	7.40%	8.40%
General	\$ 8,068,295	\$ 5,245,613	\$ 2,859,534

Net Pension Liability	1% Decrease	Current	
		Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Police officers'	2,297,008	536,075	(913,557)
Firefighters'	2,987,556	1,526,898	315,476

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

Pension expense and deferred outflows of resources and deferred inflows of resources. For the year end September 30, 2021, the City recognized pension expense of \$1,738,737 (including \$244,138 for Palatka Gas Authority), \$778,551, and \$760,759 relating to the General, Police Officers', and Firefighters' plans respectively. At September 30, 2021, the City reported deferred outflows and inflows of resources relating to the General, Police Officers', and Firefighters' pensions from the following sources:

	Deffered Outflows of Resources - City	Deffered Outflows of Resources - PGA	Deffered Outflows of Resources - Total	Deffered Inflows of Resources - Total
Differences between expected and actual experience	\$ 175,320	\$ 46,885	\$ 222,205	\$ -
Changes of assumptions	47,105	12,597	59,702	48,493
Difference between projected and actual earnings on pension plan investments (net)	-	-	-	1,306,076
Total	\$ 222,425	\$ 59,482	\$ 281,907	\$ 1,354,569

	Police Officers'		Firefighters'	
	Deffered Outflows of Resources	Deffered Inflows of Resources	Deffered Outflows of Resources	Deffered Inflows of Resources
Differences between expected and actual experience	\$ 280,427	\$ -	\$ 204,586	\$ 258,188
Changes of assumptions	-	14,410	140,148	18,932
Difference between projected and actual earnings on pension plan investments (net)	-	996,751	-	688,552
Total	\$ 280,427	\$ 1,011,161	\$ 344,734	\$ 965,672

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,	General - City	General - PGA	General - Total	Police Officers'	Firefighters'
2022	\$ (68,693)	\$ (18,371)	\$ (87,064)	\$ (49,206)	\$ (69,355)
2023	(137,303)	(36,718)	(174,021)	(96,550)	(79,759)
2024	(321,720)	(86,037)	(407,757)	(305,477)	(218,412)
2025	(318,614)	(85,206)	(403,820)	(279,501)	(253,412)
2026	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	\$ (846,330)	\$ (226,332)	\$ (1,072,662)	\$ (730,734)	\$ (620,938)

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

Pension Plan Financial Statements

Combining Statement of Fiduciary Net Position – September 30, 2021

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ 246,541	\$ 870,547	\$ 504,229	\$ 1,621,317
Fixed income	-	-	3,096,904	3,096,904
Equity	-	-	1,657,110	1,657,110
Mutual funds - fixed income	9,136,168	4,066,895	-	13,203,063
Mutual funds - equities	11,069,598	2,334,867	4,614,024	18,018,489
Pooled/Common/Commingled funds - equity	1,619,689	6,435,216	-	8,054,905
	<u>22,071,996</u>	<u>13,707,525</u>	<u>9,872,267</u>	<u>45,651,788</u>
Total investments				
Accounts receivable	<u>69,509</u>	<u>11,253</u>	<u>81,401</u>	<u>162,163</u>
Total assets	<u>22,141,505</u>	<u>13,718,778</u>	<u>9,953,668</u>	<u>45,813,951</u>
Liabilities	20,415	10,049	8,138	38,602
Net position:				
Restricted for pension benefits	<u>\$ 22,121,090</u>	<u>\$ 13,708,729</u>	<u>\$ 9,945,530</u>	<u>\$ 45,775,349</u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 9 – PENSION PLANS (CONTINUED)

Combining Statement of Changes in Fiduciary Net Position – Year Ended September 30, 2021

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions				
Contributions				
Employer	\$ 1,259,075	\$ 248,264	\$ 500,542	\$ 2,007,881
Member	212,266	86,959	72,184	371,409
State on behalf, through general fund	-	86,172	49,571	135,743
	<u>1,471,341</u>	<u>421,395</u>	<u>622,297</u>	<u>2,515,033</u>
Investment income				
Net appreciation (depreciation) in fair value of investments	2,983,397	2,088,056	1,440,228	6,511,681
Interest & dividends	500,152	244,719	183,840	928,711
Less investment fee	(45,810)	(61,543)	(40,076)	(147,429)
Net investment income	<u>3,437,739</u>	<u>2,271,232</u>	<u>1,583,992</u>	<u>7,292,963</u>
Total additions	<u>4,909,080</u>	<u>2,692,627</u>	<u>2,206,289</u>	<u>9,807,996</u>
Deductions				
Member benefits	1,763,196	795,163	619,024	3,177,383
Withdrawals	135,071	21,303	27,281	183,655
Administrative expense	36,749	29,361	27,112	93,222
Total deductions	<u>1,935,016</u>	<u>845,827</u>	<u>673,417</u>	<u>3,454,260</u>
Change in net position	2,974,064	1,846,800	1,532,872	6,353,736
Net position restricted for pension benefits, beginning of the year	<u>19,147,026</u>	<u>11,861,929</u>	<u>8,412,658</u>	<u>39,421,613</u>
Net position restricted for pension benefits, end of the year	<u>\$ 22,121,090</u>	<u>\$ 13,708,729</u>	<u>\$ 9,945,530</u>	<u>\$ 45,775,349</u>

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City has complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the plan is not reported in the City's financial statements.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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 City, including its component unit, the Palatka Gas Authority. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the City or Palatka Gas Authority. The premiums for the retirees are deducted from their pension account, and are entirely paid by those participants. The City pays no portion of the premiums attributable to the retirees, but does contribute any remaining amount necessary for payment of claims. In future years, contributions are assumed to increase at the same rate as premiums.

For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust, and the City has not established a qualifying trust for the OPEB plan. The OPEB Plan does not issue a stand-alone financial report.

The City Commission can amend the benefit provisions provided by the OPEB Plan.

Benefits Provided

The OPEB Plan provides an implicit health insurance subsidy for retirees of the City and Palatka Gas Authority. The plan allows employees who retire and meet retirement eligibility under one of the City's retirement plans (and their spouses and eligible dependents) 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.

Contributions

The contribution requirements of plan members and the participating employers are established and may be amended by the City. The City'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 contractually required contribution for the year ended September 30, 2021 was \$18,225. Actual contributions to the OPEB Plan were \$18,225 for the year ended September 30, 2020. Retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The measurement date is September 30, 2021, based on an actuarial valuation dated October 1, 2019 and rolled forward to September 30, 2021. The reporting period is October 1, 2020 through September 30, 2021.

The Sponsor's total OPEB liability of \$802,724 (comprised of \$735,295 for City and \$67,429 for Palatka Gas Authority) was measured as of September 30, 2021.

Actuarial Assumptions and Other Inputs

Table

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	2.14%
Initial trend rate	7.50%
Ultimate trend rate	4.00%
Years to ultimate	55

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

Discount Rate

All future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. This index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

Changes for the year:	
Service cost	\$ 47,937
Interest	23,160
Difference between expected and actual experience	(88,551)
Changes of assumptions and actual experience	141,832
Benefit payments	(18,225)
Net changes	<u>106,153</u>
Total OPEB liability - beginning of reporting period	<u>696,571</u>
Total OPEB liability - end of reporting period	<u><u>\$ 802,724</u></u>

Changes in assumptions reflect a change in the discount rate from 3.58% for the reporting period ended September 30, 2020, to 3.58% for the reporting period ended September 30, 2021.

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

The following presents the total OPEB liability of the Sponsor, as well as what the Sponsor's total OPEB 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 discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.14%	2.14%	3.14%
Total OPEB liability - City	\$ 817,938	\$ 735,295	\$ 663,135
Total OPEB liability - PGA	75,007	67,429	60,811
Total OPEB liability	<u>\$ 892,945</u>	<u>\$ 802,724</u>	<u>\$ 723,946</u>

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Sponsor, as well as what the Sponsor’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease 3.00% - 6.50%	Trend Rates 4.00% - 7.50%	1% Increase 5.00% - 8.50%
Total OPEB liability - City	\$ 642,778	\$ 735,295	\$ 845,152
Total OPEB liability - PGA	58,945	67,429	77,503
Total OPEB liability	\$ 701,723	\$ 802,724	\$ 922,655

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

For the year ended September 30, 2021, the Sponsor recognized OPEB expense of \$92,263, including \$7,750 for the Palatka Gas Authority.

On September 30, 2021, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Outflows of Resources		
	City	PGA	Total	City	PGA	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 67,593	\$ 6,199	\$ 73,792
Changes of assumptions	149,404	13,701	163,105	25,397	2,329	27,726
Total	\$ 149,404	\$ 13,701	\$ 163,105	\$ 92,990	\$ 8,528	\$ 101,518

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City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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,	City	PGA	Total
2021	\$ 9,953	\$ 913	\$ 10,866
2022	9,953	913	10,866
2023	9,953	913	10,866
2024	18,419	1,689	20,108
2025	8,135	746	8,881
Thereafter	-	-	-
Total	\$ 56,413	\$ 5,174	\$ 61,587

NOTE 11 – RISK MANAGEMENT

The City 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. 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 City's settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 12 - COMMITMENTS

The City leases some of its golf carts under operating leases. Lease payments for the year ended September 30, 2021 were \$47,144. Future lease payments are as follows:

Year ending September 30,	Business-type Activities
2022	\$ 47,792
2023	44,381
Total	\$ 92,173

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 13 - CONTINGENCIES

The City 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 City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through June 28, 2022, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.

The City evaluated its September 30, 2021 financial statements for subsequent events through the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen and will likely have a negative impact to financial operations; although such potential impact is unknown at this time.

NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

In May 2017, the GASB issued Statement No. 87, Leases. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2022.

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

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

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

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

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

City of Palatka, Florida
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

Required Supplementary Information

City of Palatka
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – General Fund
Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 4,779,507	\$ 4,779,507	\$ 4,976,852	\$ 197,345
Permits, fees and special assessments	2,223,670	2,223,670	2,362,449	138,779
Intergovernmental	1,126,945	1,126,945	4,154,807	3,027,862
Charges for services	155,800	155,800	302,854	147,054
Fines and forfeitures	65,000	65,000	54,535	(10,465)
Miscellaneous	298,331	298,331	793,754	495,423
Total revenues	<u>8,649,253</u>	<u>8,649,253</u>	<u>12,645,251</u>	<u>3,995,998</u>
Expenditures:				
Current:				
General government	2,066,095	2,066,095	2,136,519	(70,424)
Public safety	6,422,643	6,422,643	5,981,621	441,022
Transportation	817,622	817,622	671,825	145,797
Human services	30,189	30,189	29,227	962
Culture and recreation	668,573	668,573	485,070	183,503
Debt service				
Principal retirement	220,415	220,415	151,348	69,067
Interest and fiscal charges	18,947	18,947	24,234	(5,287)
Total expenditures	<u>10,244,484</u>	<u>10,244,484</u>	<u>9,479,844</u>	<u>764,640</u>
Excess of revenues over expenditures	<u>(1,595,231)</u>	<u>(1,595,231)</u>	<u>3,165,407</u>	<u>4,760,638</u>
Other financing sources (uses):				
Operating transfer in	1,657,165	1,657,165	1,365,562	(291,603)
Operating transfer out	(459,858)	(459,858)	(169,445)	290,413
Capital lease	400,000	400,000	416,882	16,882
Total other financing sources (uses):	<u>1,597,307</u>	<u>1,597,307</u>	<u>1,612,999</u>	<u>15,692</u>
Net change in fund balance	<u>\$ 2,076</u>	<u>\$ 2,076</u>	4,778,406	<u>\$ 4,776,330</u>
Fund balance, beginning of year			<u>3,215,419</u>	
Fund balance, end of year			<u>\$ 7,993,825</u>	

See the accompanying notes.

City of Palatka
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Downtown Redevelopment Agency Fund
Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 574,351	\$ 574,351	\$ 568,979	\$ (5,372)
Miscellaneous	-	-	5,435	5,435
Total revenues	<u>574,351</u>	<u>574,351</u>	<u>574,414</u>	<u>63</u>
Expenditures:				
Economic environment	416,700	416,700	129,677	287,023
Total expenditures	<u>416,700</u>	<u>416,700</u>	<u>129,677</u>	<u>287,023</u>
Excess of revenues over expenditures	<u>157,651</u>	<u>157,651</u>	<u>444,737</u>	<u>287,086</u>
Other financing sources (uses):				
Operating transfer out	<u>(713,576)</u>	<u>(713,576)</u>	<u>(68,045)</u>	<u>645,531</u>
Total other financing sources (uses):	<u>(713,576)</u>	<u>(713,576)</u>	<u>(68,045)</u>	<u>645,531</u>
Net change in fund balance	<u>\$ (555,925)</u>	<u>\$ (555,925)</u>	376,692	<u>\$ 932,617</u>
Fund balance, beginning of year			<u>854,052</u>	
Fund balance, end of year			<u>\$ 1,230,744</u>	

See the accompanying notes.

City of Palatka
Notes to Budgetary Comparison Schedules
September 30, 2021

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 submits to the City Commission 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 City Commission. Therefore, the fund level is the legal level of control for budget considerations.

Annual budgets are adopted for all governmental funds.

City of Palatka
Schedule of Changes in Net Pension Liability and Related Ratios
General Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability									
Service cost	\$ 462,352	\$ 469,426	\$ 393,661	\$ 423,870	\$ 386,138	\$ 340,525	\$ 347,579	\$ 352,477	\$ 326,368
Interest	1,952,058	1,943,145	1,894,079	1,872,580	1,807,530	1,707,988	1,684,998	1,657,695	1,638,624
Difference between expected and actual experience	246,792	173,030	404,844	23,255	408,495	(74,220)	24,797	-	-
Changes of assumptions	89,552	(145,479)	249,474	238,967	257,491	1,236,245	-	-	-
Benefit payments, including refunds of employee contributions	(1,898,267)	(2,048,357)	(2,048,737)	(1,826,224)	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,820)	(1,965,592)
Net changes in total pension liability	852,487	391,765	893,321	732,448	1,145,730	1,472,688	269,288	470,352	(600)
Total pension liability-beginning	26,514,216	26,122,451	25,229,130	24,496,682	23,350,953	21,878,265	21,608,977	21,138,625	21,138,625
Total pension liability-ending (a)	27,366,703	26,514,216	26,122,451	25,229,130	24,496,682	23,350,953	21,878,265	21,608,977	21,138,025
Total fiduciary net position									
Contributions									
Employer	1,259,075	1,354,046	1,062,017	866,294	739,093	679,864	686,545	774,136	790,325
Employee	212,266	221,385	209,178	188,324	192,427	175,818	169,514	172,782	177,921
Net investment income	3,437,739	1,389,220	771,522	994,227	1,528,570	1,554,168	(410,102)	1,600,605	1,741,522
Benefit payments, including refunds of employee contributions	(1,898,267)	(2,048,357)	(2,048,737)	(1,826,224)	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,821)	(1,965,591)
Administrative expense	(36,749)	(51,912)	(34,739)	(33,995)	(29,451)	(34,904)	(27,955)	(30,698)	(21,905)
Net changes in plan fiduciary net position	2,974,064	864,382	(40,759)	188,626	716,715	637,096	(1,370,084)	977,004	722,272
Plan fiduciary net position-beginning	18,282,644	18,282,644	18,323,403	18,134,777	17,418,063	16,780,967	18,151,051	17,174,047	16,451,775
Plan fiduciary net position-ending	21,256,708	19,147,026	18,282,644	18,323,403	18,134,777	17,418,063	16,780,967	18,151,051	17,174,047
Net pension liability-ending (a)-(b)	\$ 6,109,995	\$ 7,367,190	\$ 7,839,807	\$ 6,905,727	\$ 6,361,905	\$ 5,932,890	\$ 5,097,298	\$ 3,457,926	\$ 3,963,978
Plan fiduciary net position as a percentage of the total pension liability	77.67%	72.21%	69.99%	72.63%	74.03%	74.59%	76.70%	84.00%	81.25%
Covered payroll	\$ 3,689,497	\$ 3,689,497	\$ 3,486,295	\$ 3,148,480	\$ 3,197,367	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Net pension liability as a percentage of covered payroll	165.61%	199.68%	224.88%	219.34%	198.97%	202.47%	171.07%	120.08%	133.68%

Notes to the Schedule

- * The schedule will present ten years comparative data when ten years become available.
- For measurement date 09/30/2020, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%
- For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%
- For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%
- For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%
- In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).
- For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:
 - The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
 - The assumed interest rate was lowered from 8.00% to 7.9%.
 - The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
 - The assumed rates for Normal Retirement increased for all ages.
 - The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
 - The inflation assumption rate was lowered from 3.00% to 2.07%, matching the long-term inflation assumption used by the Plan's investment consultant.

City of Palatka
Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability									
Service cost	\$ 230,013	\$ 248,069	\$ 239,064	\$ 235,276	\$ 213,253	\$ 213,832	\$ 278,204	\$ 285,022	\$ 263,909
Interest	998,166	981,113	1,009,282	953,900	868,015	851,901	812,851	776,568	733,062
Changes of benefit terms	-	-	-	-	-	(41,662)	(108,171)	- 0	-
Difference between expected and actual experience	345,990	149,301	(676,400)	271,647	609,467	(454,959)	50,553	-	-
Changes of assumptions	-	(43,230)	145,942	145,765	165,502	321,310	-	-	-
Benefit payments, including refunds of employee contributions	(816,466)	(1,018,918)	(831,237)	(633,367)	(618,511)	(561,601)	(528,946)	(487,612)	(460,915)
Net changes in total pension liability	757,703	316,335	(113,349)	973,221	1,237,726	328,821	504,491	573,978	536,056
Total pension liability-beginning	13,487,101	13,170,766	13,284,115	12,310,894	11,073,168	10,744,347	10,239,856	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 14,244,804	\$ 13,487,101	\$ 13,170,766	\$ 13,284,115	\$ 12,310,894	\$ 11,073,168	\$ 10,744,347	\$ 10,239,856	\$ 9,665,878
Total fiduciary net position									
Contributions									
Employer	248,264	284,472	287,923	154,829	186,569	151,756	196,130	221,593	240,401
State	86,172	76,357	77,299	72,068	67,554	65,893	64,825	66,189	59,256
Employee	86,959	89,045	92,521	83,808	86,168	81,274	85,064	90,128	88,479
Net investment income	2,271,232	980,170	401,546	788,650	1,137,327	904,015	(394,718)	901,280	1,042,891
Benefit payments, including refunds of employee contributions	(816,466)	(1,018,918)	(831,237)	(633,367)	(618,511)	(561,601)	(528,946)	(487,612)	(460,916)
Administrative expense	(29,361)	(43,550)	(26,058)	(28,518)	(24,245)	(34,770)	(26,755)	(19,558)	(18,312)
Net changes in plan fiduciary net position	1,846,800	367,576	1,994	437,470	834,862	606,567	(604,400)	772,020	951,799
Plan fiduciary net position-beginning	11,494,353	11,494,353	11,492,359	11,054,889	10,220,027	9,613,460	10,217,860	9,445,840	8,494,041
Plan fiduciary net position-ending	\$ 13,341,153	\$ 11,861,929	\$ 11,494,353	\$ 11,492,359	\$ 11,054,889	\$ 10,220,027	\$ 9,613,460	\$ 10,217,860	\$ 9,445,840
Net pension liability-ending (a)-(b)	\$ 903,651	\$ 1,625,172	\$ 1,676,413	\$ 1,791,756	\$ 1,256,005	\$ 853,141	\$ 1,130,887	\$ 21,996	\$ 220,038
Plan fiduciary net position as a percentage of the total pension liability	93.66%	87.95%	87.27%	86.51%	89.80%	92.30%	89.47%	99.79%	97.72%
Covered payroll	\$ 1,484,076	\$ 1,484,076	\$ 1,542,023	\$ 1,396,791	\$ 1,436,141	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Net pension liability as a percentage of covered payroll	60.89%	109.51%	108.72%	128.28%	87.46%	62.98%	78.90%	1.46%	14.92%

Notes to the Schedule

- * The schedule will present ten years comparative data when ten years become available.
- For measurement date 09/30/2020, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%
- For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%
- For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%
- For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%
- In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).
- For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:
 - The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
 - The assumed interest rate was lowered from 800% to 7.9%.
 - The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
 - The assumed rates for Normal Retirement increased for all ages.
 - The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
 - The inflation assumption rate was lowered from 3.00% to 2070%, matching the long-term inflation assumption used by the Plan's investment consultant.

City of Palatka
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability									
Service cost	\$ 254,615	\$ 257,388	\$ 232,935	\$ 210,260	\$ 185,742	\$ 172,607	\$ 177,733	\$ 168,142	\$ 155,687
Interest	845,464	822,576	778,034	747,092	726,035	718,377	707,171	676,786	648,419
Changes of benefit terms	-	-	(815)	-	-	-	(33,092)	- 0	-
Difference between expected and actual experience	(322,737)	41,158	193,080	147,701	109,800	(112,062)	73,309	-	-
Changes of assumptions	-	(28,396)	125,856	115,984	134,956	381,136	-	-	-
Benefit payments, including refunds of employee contributions	(646,305)	(634,619)	(636,040)	(796,891)	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,041)
Net changes in total pension liability	131,037	458,107	693,050	424,146	366,888	57,419	434,625	386,018	339,065
Total pension liability-beginning	11,341,391	10,883,284	10,190,234	9,766,088	9,399,200	9,341,781	8,907,156	8,521,138	8,182,073
Total pension liability-ending (a)	\$ 11,472,428	\$ 11,341,391	\$ 10,883,284	\$ 10,190,234	\$ 9,766,088	\$ 9,399,200	\$ 9,341,781	\$ 8,907,156	\$ 8,521,138
Total fiduciary net position									
Contributions									
Employer	500,542	521,538	444,977	414,702	395,413	296,485	250,259	310,160	252,906
State	49,571	62,951	66,498	73,764	60,543	50,698	95,653	80,280	78,504
Employee	72,184	75,612	68,282	64,184	61,203	52,815	47,712	47,041	44,711
Net investment income	1,583,992	679,012	279,441	507,754	749,063	619,284	(285,606)	649,062	757,642
Benefit payments, including refunds of employee contributions	(646,305)	(634,619)	(636,040)	(796,891)	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,042)
Administrative expense	(27,112)	(37,960)	(26,740)	(24,681)	(22,815)	(31,660)	(22,760)	(14,901)	(15,407)
Net changes in plan fiduciary net position	1,532,872	666,534	196,418	238,832	453,762	(115,017)	(405,238)	612,732	653,314
Plan fiduciary net position-beginning	8,412,658	7,746,124	7,549,706	7,310,874	6,857,112	6,972,129	7,377,367	6,764,635	6,111,321
Plan fiduciary net position-ending	\$ 9,945,530	\$ 8,412,658	\$ 7,746,124	\$ 7,549,706	\$ 7,310,874	\$ 6,857,112	\$ 6,972,129	\$ 7,377,367	\$ 6,764,635
Net pension liability-ending (a)-(b)	\$ 1,526,898	\$ 2,928,733	\$ 3,137,160	\$ 2,640,528	\$ 2,455,214	\$ 2,542,088	\$ 2,369,652	\$ 1,529,789	\$ 1,756,503
Plan fiduciary net position as a percentage of the total pension liability	86.69%	74.18%	71.17%	74.09%	74.86%	72.95%	74.63%	82.83%	79.39%
Covered payroll	\$ 1,260,206	\$ 1,260,206	\$ 1,138,039	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Net pension liability as a percentage of covered payroll	121.16%	232.40%	275.66%	246.84%	240.70%	288.79%	253.51%	195.12%	235.71%

Notes to the Schedule

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

For measurement date 09/30/2020, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.50%

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%

For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
- The assumed interest rate was lowered from 800% to 7.9%.
- The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
- The assumed rates for Normal Retirement increased for all ages.
- The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
- The inflation assumption rate was lowered from 3.00% to 2070%, matching the long-term inflation assumption used by the Plan's investment consultant.

City of Palatka
Schedule of Employer Contributions
General Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,238,303	\$ 1,354,046	\$ 1,063,320	\$ 864,991	\$ 716,210	\$ 679,829	\$ 686,530	\$ 777,517	\$ 788,781
Contribution in relation to the actuarially determined contributions	1,259,075	1,354,046	1,062,017	1,077,055	931,520	679,825	686,545	777,517	788,781
Contribution deficiency (excess)	\$ (20,772)	\$ -	\$ 1,303	\$ (212,064)	\$ (215,310)	\$ 4	\$ (15)	\$ -	\$ -
Covered payroll	\$ 3,538,009	\$ 3,689,497	\$ 3,486,295	\$ 3,148,480	\$ 3,197,367	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Contributions as a percentage of covered payroll	35.59%	36.70%	30.46%	34.21%	29.13%	23.20%	23.04%	27.00%	26.60%

Notes to the Schedule

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

Actuarially determined contribution rates are calculated as of October 1, two years prior to end of the fiscal year in which the contributions are reported.

Valuation Date for FY 2021 contribution 10/1/2019

Methods and assumption used to determine contribution rates:

Mortality rates: Healthy & Inactive Female: RP 2000 Generational Annuitant White Collar, Scale BB
Healthy & Inactive Male: RP 2000 Generational - 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB
Disabled: RP 2000 Disabled; Female set forward two years, Male setback for years

Interest rate: 7.80% per year compounded annually, net of investment related expenses.

Retirement age:

Retirement	
Age	Rate
50-54	10.0%
55	25.0%
56-59	20.0%
60	40.0%
61-64	25.0%
65+	100.0%

Salary increases: 8% less than one year of service. 5% for one year and greater of service.

Payroll growth: None, for purpose of amortizing the unfunded actuarial liability

Marital status: 80% of active members are assumed to be married at the time of retirement. Females are assumed to be three years younger than males

Funding method: Entry Age Normal

Actuarial asset method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees).

Disability and termination rates: See following table. It is assumed that 25% of disablements and active members deaths are service related.

Age	Percent Terminating Percent becoming	
	during the year disabled	during the year
20	34.40%	0.03%
30	30.00%	0.04%
40	16.40%	0.07%
50	3.40%	0.18%

City of Palatka
Schedule of Employer Contributions
Police Officers' Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 352,187	\$ 348,758	\$ 356,207	\$ 282,152	\$ 189,571	\$ 222,150	\$ 260,864	\$ 291,414	\$ 302,303
Contribution in relation to the actuarially determined contributions	334,436	360,829	365,222	226,897	254,123	222,154	260,955	291,414	302,303
Contribution deficiency (excess)	\$ 17,751	\$ (12,071)	\$ (9,015)	\$ 55,255	\$ (64,552)	\$ (4)	\$ (91)	\$ -	\$ -
Covered payroll	\$ 1,449,328	\$ 1,484,076	\$ 1,542,023	\$ 1,396,791	\$ 1,436,141	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Contributions as a percentage of covered payroll	23.08%	24.31%	23.68%	16.24%	17.69%	16.40%	18.21%	19.40%	20.50%

Notes to the Schedule

* The schedule will present ten years comparative data when ten years become available.
Actuarially determined contribution rates are calculated as of October 1, two years prior to end of the fiscal year in which the contributions are reported.
Valuation Date for FY 2021 contribution 10/1/2019

Methods and assumption used to determine contribution rates:

Mortality rates: Female: RP 2000 Generational Combined Healthy White Collar, Scale BB
Male: RP 2000 Generational - 10% Combined Healthy White Collar / 90% Combined Healthy Blue
Disabled Female: 60% RP 2000 Disabled Female set forward two years, 40% annuitant White Collar
Disabled Male: 60% RP 2000 Disabled Male set forward two years, 40% annuitant White Collar

Interest rate: 7.80% per year compounded annually, net of investment related expenses.

Service 7-24 Years		Service 25-29 Years	
Years after Eligibility	Retirement Rate	Years after Eligibility	Retirement Rate
0	20.0%	50	20.0%
1	20.0%	51	20.0%
2	20.0%	52+	100.0%
3	50.0%		
4	75.0%		
5+	100.0%		
		Service 30+ Years	
		All Ages	
			100.0%

Salary increases: Based on years of service. 10% at 0; 5.5% for 1-4; 5.25% for 5-9; 5.0% for 10-14; and 4.75% for 15+

Payroll growth: None, for purpose of amortizing the unfunded actuarial liability

Funding method: Entry Age Normal

Actuarial asset method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees).

Disability and termination rates: See following table. It is assumed that 75% of disablements are service related.

Years of Service	Termination Rate	Age	Percent becoming disabled during the year
<5	15.00%	20	0.07%
14-May	10.00%	30	0.11%
15	5.00%	40	0.19%
16	4.00%	50	0.51%
17	3.50%		
18	3.00%		
19	2.50%		
20+	2.00%		

City of Palatka
Schedule of Employer Contributions
Firefighters' Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 549,800	\$ 585,996	\$ 512,117	\$ 482,446	\$ 455,959	\$ 380,267	\$ 345,915	\$ 390,441	\$ 335,333
Contribution in relation to the actuarially determined contributions	550,113	584,489	511,475	488,466	455,965	380,264	345,912	390,441	335,333
Contribution deficiency (excess)	\$ (313)	\$ 1,507	\$ 642	\$ (6,020)	\$ (6)	\$ 3	\$ 3	\$ -	\$ -
Covered payroll	\$ 1,203,064	\$ 1,260,206	\$ 1,138,039	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Contributions as a percentage of covered payroll	45.73%	46.38%	44.94%	45.66%	44.70%	43.20%	37.01%	49.80%	45.00%

Notes to the Schedule

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

Actuarially determined contribution rates are calculated as of October 1, two years prior to end of the fiscal year in which the contributions are reported.

Valuation Date for FY 2021 contribution 10/1/2019

Methods and assumption used to determine contribution rates:

Mortality rates:

Female: RP 2000 Generational Combined Healthy White Collar, Scale BB
Male: RP 2000 Generational - 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar Scale BB
Disabled Female: 60% RP 2000 Disabled Female set forward two years, 40% annuitant White Collar
Disabled Male: 60% RP 2000 Disabled Male set forward two years, 40% annuitant White Collar
75% of active deaths are assumed to happen in the line duty.

Interest rate:

7.80% per year compounded annually, net of investment related expenses.

Retirement age:

Service 7-24 Years	
Years after Eligibility	Retirement Rate
0	20.0%
1	20.0%
2+	20.0%

Salary increases:

Based on years of service. 10% at 0; 5.0% for 10-14; and 4.75% for 15+

Payroll growth:

None, for purpose of amortizing the unfunded actuarial liability

Marital status:

75% of active members are assumed to be married at the time of retirement. Females are assumed to be three years younger than males.

Funding method:

Entry Age Normal

Actuarial asset method:

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees).

Disability and termination rates:

See following table. It is assumed that 75% of disablements are service related.

Years of Service	Termination Rate	Age	Percent becoming disabled during the year
0-2	15.00%	20	0.07%
3-5	7.50%	30	0.11%
6	0.00%	40	0.19%
7-8	10.00%	50	0.51%
9+	2.00%	60	1.66%

**City of Palatka
Schedule of Investment Returns
Pension Plan
Year Ended September 30, 2021
Last 10 Fiscal Years***

	2021	2020	2019	2018	General Plan		2015	2014	2013
					2017	2016			
Annual money-weighted rate of return, net of investment expenses	18.21%	7.73%	4.35%	5.61%	8.99%	9.55%	-2.32%	9.51%	10.92%
					Police Officers' Plan				
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	19.55%	8.78%	3.58%	7.27%	11.32%	9.54%	-3.91%	9.66%	12.34%
					Firefighters' Plan				
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	19.05%	8.88%	3.77%	7.18%	11.32%	9.21%	-3.92%	9.69%	12.50%

Notes to the Schedule

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

City of Palatka
Schedule of Change in City's Other Postemployment Benefit Plan
Liability and Related Ratios
Year Ended September 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018
Service cost	\$ 47,937	\$ 43,970	\$ 47,262
Interest	23,160	25,549	22,375
Difference between expected and actual experience	(88,551)	-	-
Changes of assumptions	141,832	67,368	(55,452)
Benefit payments	(18,225)	(14,973)	(13,800)
Net changes in total OPEB liability	106,153	121,914	385
Total OPEB liability-beginning	696,571	574,657	574,272
Total OPEB liability-ending	802,724	696,571	574,657
Covered payroll	\$ 6,232,190	\$ 6,243,122	\$ 5,930,690
Net pension liability as a percentage of covered payroll	12.88%	11.16%	9.69%

Notes to the Schedule

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

2018 changes in assumptions and other inputs reflect a change in the discount rate from 3.64% in 2017 to 4.18% in 2018.

2019 changes in assumptions and other inputs reflect a change in the discount rate from 4.18% in 2018 to 3.58% in 2019.

2020 changes in assumptions and other inputs reflect a change in the discount rate from 3.58% in 2019 to 2.14% in 2020.

Covered employee payroll was projected on year forward from the valuation date for the reporting period ending September 30, 2020.

See Note 10 to the financial statements for detailed information on the City's OPEB Plan.

Supplementary Information

MAJOR GOVERNMENTAL CAPITAL PROJECTS FUND

A Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The City maintains the following Capital Projects Fund:

Better Place Plan Fund - is used to account for revenues received from a discretionary surtax imposed to finance certain capital projects.

City of Palatka
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual – Better Place Plan Fund
Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 814,681	\$ 814,681	\$ 1,160,849	\$ 346,168
Intergovernmental	6,163,318	6,163,318	368,527	(5,794,791)
Total revenues	<u>6,977,999</u>	<u>6,977,999</u>	<u>1,529,376</u>	<u>(5,448,623)</u>
Expenditures:				
Current:				
General government	9,869,518	9,869,518	1,161,023	8,708,495
Debt service				
Principal retirement	252,608	252,608	126,400	126,208
Interest and fiscal charges	27,038	27,038	23,248	3,790
Total expenditures	<u>10,149,164</u>	<u>10,149,164</u>	<u>1,310,671</u>	<u>8,838,493</u>
Excess of revenues over expenditures	<u>(3,171,165)</u>	<u>(3,171,165)</u>	<u>218,705</u>	<u>3,389,870</u>
Other financing sources (uses):				
Operating transfer in	790,716	790,716	-	(790,716)
Issuance of debt	2,000,000	2,000,000	-	(2,000,000)
Total other financing sources (uses):	<u>2,790,716</u>	<u>2,790,716</u>	<u>-</u>	<u>(2,790,716)</u>
Net change in fund balance	<u>\$ (380,449)</u>	<u>\$ (380,449)</u>	218,705	<u>\$ 599,154</u>
Fund balance, beginning of year			<u>564,352</u>	
Fund balance, end of year			<u>\$ 783,057</u>	

**Statistical Section
(unaudited)**

Statistical Section

This part of the City of Palatka comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

	<u>Page Number</u>
Financial Trends	83
<p>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.</p>	
Revenue Capacity	87
<p>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</p>	
Debt Capacity	91
<p>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	96
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</p>	
Operating Information	98
<p>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1
City of Palatka, Florida
Net Position by Component – Last Ten Fiscal Years
September 30,

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Government Activities										
Net Investment in Capital Assets	\$ 13,191,795	\$ 13,138,987	\$ 10,735,671	\$ 12,679,116	\$ 12,532,966	\$ 13,804,049	\$ 15,939,443	\$ 15,588,396	\$ 16,548,465	\$ 17,546,712
Restricted	510,476	401,999	507,111	624,403	1,264,580	1,312,154	1,021,993	1,333,192	1,826,138	2,340,838
Unrestricted	2,029,287	2,724,277	1,557,819	(1,856,659)	(3,030,254)	(2,490,897)	(3,636,491)	(3,620,052)	(2,460,517)	2,139,086
Total Governmental Activities Net Position	\$ 15,731,558	\$ 16,265,263	\$ 12,800,601	\$ 11,446,860	\$ 10,767,292	\$ 12,625,306	\$ 13,324,945	\$ 13,301,536	\$ 15,914,086	\$ 22,026,636
Business-Type Activities										
Net Investment in Capital Assets	\$ 38,156,884	\$ 38,728,555	\$ 37,150,342	\$ 37,721,799	\$ 37,456,909	\$ 36,415,452	\$ 36,963,783	\$ 37,042,784	\$ 38,662,341	\$ 40,434,532
Restricted	327,972	328,594	330,609	334,897	334,285	334,196	8,095	8,095	8,095	8,095
Unrestricted	(222,895)	(863,846)	1,180,303	(439,062)	(875,644)	(403,255)	(814,056)	(241,367)	1,729,503	2,523,288
Total Business-Type Net Position	\$ 38,261,961	\$ 38,193,303	\$ 38,661,254	\$ 37,617,634	\$ 36,915,550	\$ 36,346,393	\$ 36,157,822	\$ 36,809,512	\$ 40,399,939	\$ 42,965,915
Primary Government										
Net Investment in Capital Assets	\$ 51,348,679	\$ 51,867,542	\$ 47,886,013	\$ 50,400,915	\$ 49,989,875	\$ 50,219,501	\$ 52,903,226	\$ 52,631,180	\$ 55,210,806	\$ 57,981,244
Restricted	838,448	730,593	837,720	959,300	1,598,865	1,646,350	1,030,088	1,341,287	1,834,233	2,348,933
Unrestricted	1,806,392	1,860,431	2,738,122	(2,295,721)	(3,905,898)	(2,894,152)	(4,450,547)	(3,861,419)	(731,014)	4,662,374
Total Primary Government Net Position	\$ 53,993,519	\$ 54,458,566	\$ 51,461,855	\$ 49,064,494	\$ 47,682,842	\$ 48,971,699	\$ 49,482,767	\$ 50,111,048	\$ 56,314,025	\$ 64,992,551

Table 2
City of Palatka, Florida
Changes in Net Position – Last Ten Fiscal Years
Fiscal Years Ending September 30,

Expenses	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Government Activities:										
General Government	\$ 1,795,179	\$ 2,192,293	\$ 507,929	\$ 1,901,557	\$ 2,008,770	\$ 1,828,406	\$ 2,727,715	\$ 2,551,615	\$ 2,428,291	\$ 3,682,728
Public Safety	5,336,015	5,467,142	6,117,513	7,279,129	7,380,867	7,015,197	6,269,939	6,560,527	6,240,590	4,330,489
Physical Environment	-	-	415,967	408,379	91,593	233,000	626,037	7,379	-	-
Transportation	577,407	511,114	573,372	115,762	505,409	861,820	381,563	1,120,143	950,513	835,937
Economic Environment	349,296	184,981	280,156	146,709	92,509	121,398	78,587	222,250	97,331	129,677
Human Services	150,327	151,906	174,967	178,223	78,523	37,322	69,468	34,219	39,416	70,671
Culture and Recreation	505,572	427,004	1,288,402	383,685	479,185	348,255	1,529,633	767,710	745,791	667,579
Interest on Long-Term Debt	148,904	155,598	67,579	61,641	56,534	46,948	35,048	26,173	143,738	47,482
Total Governmental Activities Expenses	\$ 8,862,700	\$ 9,090,038	\$ 9,425,885	\$ 10,475,085	\$ 10,693,390	\$ 10,492,346	\$ 11,717,990	\$ 11,290,016	\$ 10,645,670	\$ 9,764,563
Business-Type Activities:										
Airport	\$ 1,626,167	\$ 1,672,638	\$ 1,868,470	\$ 1,490,532	\$ 1,433,879	\$ 1,563,492	\$ 1,658,643	\$ 1,692,235	\$ 1,575,106	\$ 1,821,296
Water	4,784,639	4,688,134	4,826,439	4,897,142	4,820,628	5,064,916	5,126,552	6,377,706	4,582,273	4,813,693
Golf Course	1,005,000	997,958	977,653	975,398	990,203	434,136	184,179	313,114	268,326	272,266
Sanitation	1,379,559	1,397,879	1,387,863	1,498,411	1,687,785	1,812,266	1,965,515	1,925,934	1,997,853	1,875,406
Total Business-type Activities Expenses	\$ 8,795,365	\$ 8,756,609	\$ 9,060,425	\$ 8,861,483	\$ 8,932,495	\$ 8,874,810	\$ 8,934,889	\$ 10,308,989	\$ 8,423,558	\$ 8,782,661
Total Primary Government Expenses	\$ 17,658,065	\$ 17,846,647	\$ 18,486,310	\$ 19,336,568	\$ 19,625,885	\$ 19,367,156	\$ 20,652,879	\$ 21,599,005	\$ 19,069,228	\$ 18,547,224
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 92,185	\$ 114,051	\$ 115,895	\$ 107,744	\$ 108,498	\$ 113,410	\$ 90,743	\$ 98,531	\$ 150,407	\$ 238,627
Public Safety	285,578	608,594	1,106,771	1,015,140	855,598	1,129,789	1,902,535	1,556,549	1,566,735	1,662,111
Other	178,434	198,826	210,064	199,565	153,721	149,957	143,004	189,160	143,004	194,537
Operating Grants and Contributions	877,019	981,676	847,158	794,957	886,922	884,023	1,033,856	2,041,573	535,522	3,055,592
Capital Grants and Contributions	1,677,074	736,090	1,774,920	2,362,571	1,041,768	1,820,801	2,758,409	167,338	1,539,450	373,962
Total Government Activities Program Revenues	\$ 3,110,290	\$ 2,639,237	\$ 4,054,808	\$ 4,479,977	\$ 3,046,507	\$ 4,097,980	\$ 5,928,547	\$ 4,004,823	\$ 3,981,274	\$ 5,524,829
Business-type Activities:										
Charges for Services:										
Airport	\$ 851,615	\$ 895,597	\$ 787,233	\$ 781,847	\$ 723,767	\$ 808,116	\$ 867,455	\$ 932,937	\$ 857,692	\$ 1,073,635
Water	3,976,734	4,122,596	4,443,050	4,350,056	4,843,922	5,006,669	5,950,043	6,007,511	6,482,818	7,153,131
Golf Course	593,578	701,468	720,410	704,846	665,847	178,198	65,168	94,760	93,756	106,506
Sanitation	1,542,053	1,535,189	1,633,906	1,641,581	1,652,675	1,719,726	1,860,875	2,169,518	2,372,742	2,542,335
Operating Grants and Contributions	-	-	26,500	-	-	-	-	-	-	-
Capital Grants and Contributions	6,615,111	1,521,529	426,812	1,724,898	361,721	820,508	454,178	2,360,920	3,004,460	1,598,364
Total Business-type Activities Program Revenues	\$ 13,579,091	\$ 8,776,379	\$ 8,037,911	\$ 9,203,228	\$ 8,247,932	\$ 8,533,217	\$ 9,197,719	\$ 11,565,646	\$ 12,811,468	\$ 12,473,971
Total Primary Government Revenues	\$ 16,689,381	\$ 11,415,616	\$ 12,092,719	\$ 13,683,205	\$ 11,294,439	\$ 12,631,197	\$ 15,126,266	\$ 15,570,469	\$ 16,792,742	\$ 17,998,800
Net (Expense)/Revenue										
Governmental Activities	\$ (5,752,410)	\$ (6,450,801)	\$ (5,371,077)	\$ (5,995,108)	\$ (7,646,883)	\$ (6,394,366)	\$ (5,789,443)	\$ (7,285,193)	\$ (6,664,396)	\$ (4,239,734)
Business-type Activities	4,783,726	19,770	(1,022,514)	341,745	(684,563)	(341,593)	262,830	1,256,657	4,387,910	3,691,310
Total Primary Government Net Expense	\$ (968,684)	\$ (6,431,031)	\$ (6,393,591)	\$ (5,653,363)	\$ (8,331,446)	\$ (6,735,959)	\$ (5,526,613)	\$ (6,028,536)	\$ (2,276,486)	\$ (548,424)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 3,497,854	\$ 3,432,971	\$ 3,465,626	\$ 3,501,720	\$ 2,751,117	\$ 2,573,515	\$ 2,817,740	\$ 2,993,993	\$ 3,191,578	\$ 3,348,931
Sales Tax and Other State Shared Revenue	761,613	783,678	786,686	794,451	836,379	875,598	919,960	944,007	2,540,796	2,874,246
Special Assessment-Fire Protection	-	-	-	-	948,809	1,653,302	-	-	-	-
Franchise Fees	662,190	904,958	810,331	837,391	813,569	799,700	797,257	744,975	760,305	835,903
Other Taxes	1,035,332	1,053,895	1,124,693	1,141,195	1,154,169	1,389,860	1,470,465	1,484,626	1,500,768	1,565,915
Investment Earnings	181	220	2,530	1,829	1,850	2,668	40,553	4,551	6,122	6,122
Contribution from component unit	-	-	300,000	300,000	250,000	159,210	186,626	176,382	181,203	189,379
Miscellaneous	83,791	595,182	123,286	115,964	120,432	90,106	147,351	254,830	251,481	403,716
Loss on sale of Land	-	-	(3,078,218)	-	-	-	-	-	-	-
Transfers	352,321	213,602	(1,628,519)	(19,536)	90,996	(68,790)	374,746	622,918	809,264	1,128,072
Total Government Activities	\$ 6,393,282	\$ 6,984,506	\$ 1,906,415	\$ 6,673,014	\$ 6,967,315	\$ 7,475,169	\$ 6,716,898	\$ 7,261,784	\$ 9,276,946	\$ 10,352,284
Business-type Activities:										
Investment Earnings	\$ 450	\$ 255	\$ 190	\$ 209	\$ 1,117	\$ 144	\$ 9,468	\$ 10,809	\$ 4,686	\$ 77
Miscellaneous	447,166	124,919	47,126	101,196	72,358	84,426	1,538	7,142	4,422	2,661
Transfers	(352,321)	(213,602)	1,628,519	19,536	(90,996)	68,790	(374,746)	(622,918)	(809,264)	(1,128,072)
Total Business-type Activities	\$ 95,295	\$ (88,428)	\$ 1,675,835	\$ 120,941	\$ (17,521)	\$ 153,360	\$ (363,740)	\$ (604,967)	\$ (800,156)	\$ (1,125,334)
Total Primary Government	\$ 6,488,577	\$ 6,896,078	\$ 3,582,250	\$ 6,793,955	\$ 6,949,794	\$ 7,628,529	\$ 6,353,158	\$ 6,656,817	\$ 8,476,790	\$ 9,226,950
Changes in Net Position										
Governmental Activities	\$ 640,872	\$ 533,705	\$ (3,464,662)	\$ 677,906	\$ (679,568)	\$ 1,080,803	\$ 927,455	\$ (23,409)	\$ 2,612,550	\$ 6,112,550
Business-type Activities	4,879,021	(68,658)	653,321	842,686	(702,084)	(188,233)	(100,910)	651,690	3,587,754	2,565,976
Total Primary Government	\$ 5,519,893	\$ 465,047	\$ (2,811,341)	\$ 1,140,592	\$ (1,381,652)	\$ 892,570	\$ 826,545	\$ 628,281	\$ 6,200,304	\$ 8,678,526

Table 3
City of Palatka, Florida
Fund Balance, Governmental Funds – Last Ten Fiscal Years
September 30,

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 1,296,287	\$ 1,749,044	\$ 292,927	\$ 292,927	\$ 292,927	\$ 292,927	\$ 162,742	\$ 162,742	\$ 774,598	\$ 162,742
Restricted	483,518	826,352	195,513	218,278	207,315	213,309	231,084	258,058	293,712	308,218
Committed	106,948	22,656	33,128	49,206	45,761	55,416	60,617	73,236	79,699	84,244
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	608,254	834,968	848,005	1,060,435	1,379,763	1,365,670	1,895,172	2,721,383	3,305,333	8,676,544
Total General Fund	\$ 2,495,007	\$ 3,433,020	\$ 1,369,573	\$ 1,620,846	\$ 1,925,766	\$ 1,927,322	\$ 2,349,615	\$ 3,215,419	\$ 4,453,342	\$ 9,231,748
All Other Government Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	510,476	401,999	507,111	624,403	1,057,265	1,098,845	790,909	107,484	1,455,862	2,051,259
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(188,428)	(968,571)	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 510,476	\$ 401,999	\$ 318,683	\$ (344,168)	\$ 1,057,265	\$ 1,098,845	\$ 790,909	\$ 107,484	\$ 1,455,862	\$ 2,051,259

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54

Fund balance was not restated to the new categories for prior years.

Source: Audited financial statements

Table 4
City of Palatka, Florida
Changes in Fund Balance, Governmental Funds – Last Ten Fiscal Years
Fiscal Years Ending September 30,

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 5,871,626	\$ 5,844,953	\$ 6,027,416	\$ 6,141,460	\$ 5,456,735	\$ 5,580,458	\$ 5,966,997	\$ 6,212,465	\$ 6,294,709	\$ 6,706,680
Permits, fees and special assessments	758,887	990,001	961,392	1,076,832	1,915,657	2,621,392	2,259,082	2,074,289	2,080,783	2,362,449
Intergovernmental	2,029,005	1,185,395	998,824	1,636,665	2,102,242	1,513,660	3,421,419	1,358,140	3,006,045	4,523,334
Charges for Services	209,738	245,095	276,570	295,691	212,004	180,804	207,554	277,697	320,129	302,854
Fines and Forfeitures	106,623	427,324	838,313	630,674	597,665	884,679	343,332	41,873	58,407	54,535
Miscellaneous	219,412	719,469	635,493	1,210,711	591,814	437,286	578,637	774,602	688,883	799,189
Total Revenues	\$ 9,195,291	\$ 9,412,237	\$ 9,738,008	\$ 10,992,033	\$ 10,876,117	\$ 11,218,279	\$ 12,777,021	\$ 10,739,066	\$ 12,448,956	\$ 14,749,041
Expenditures										
General Government	\$ 2,330,934	\$ 1,651,710	\$ 1,184,004	\$ 1,251,002	\$ 1,243,328	\$ 1,485,611	\$ 3,633,916	\$ 2,119,997	\$ 4,232,985	\$ 3,297,542
Public Safety	5,192,326	5,713,322	6,634,859	6,402,949	6,141,403	6,163,129	5,926,197	5,957,234	5,991,935	5,981,621
Physical Environment	-	-	415,967	404,042	85,925	233,000	356,376	467	-	-
Transportation	548,073	486,426	553,104	477,959	474,693	814,121	794,787	1,049,281	792,401	671,825
Economic Environment	349,296	184,981	280,156	146,709	92,509	121,398	78,587	298,292	97,331	129,677
Human Services	140,296	142,233	164,899	178,712	78,256	33,753	62,557	34,219	33,104	29,227
Culture and Recreation	465,756	449,550	1,253,442	2,361,161	553,865	1,672,744	2,150,486	695,485	563,282	485,070
Debt Service										
Principal Retirement	330,468	335,816	534,892	488,900	534,247	592,062	602,715	548,989	302,083	277,748
Interest and Fiscal Charges	149,483	155,598	67,579	61,641	56,534	46,948	35,048	26,173	143,738	47,482
Total Expenditures	\$ 9,506,632	\$ 9,119,636	\$ 11,088,902	\$ 11,773,075	\$ 9,260,760	\$ 11,162,766	\$ 13,640,669	\$ 10,730,137	\$ 12,156,859	\$ 10,920,192
Excess of Revenues Over (Under) Expenditures	\$ (311,341)	\$ 292,601	\$ (1,350,894)	\$ (781,042)	\$ 1,615,357	\$ 55,513	\$ (863,648)	\$ 8,929	\$ 292,097	\$ 3,828,849
Other Financing Sources (Uses)										
Capital Lease Issuance	\$ 26,009	\$ 300,000	\$ 520,700	\$ 389,000	\$ -	\$ 56,413	\$ 680,000	\$ 253,966	\$ 514,940	\$ 416,882
Transfer In	1,088,468	685,099	1,308,196	482,992	782,517	1,344,802	1,695,017	1,172,741	1,188,850	1,365,562
Transfer Out	(736,147)	(471,497)	(2,936,715)	(502,528)	(691,521)	(1,413,592)	(1,320,271)	(549,823)	(379,586)	(237,490)
Payment to refunded bonds escrow agent	-	(1,866,667)	-	-	-	-	-	-	-	-
Issuance of refunding bonds	-	1,890,000	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 378,330	\$ 536,935	\$ (1,107,819)	\$ 369,464	\$ 90,996	\$ (12,377)	\$ 1,054,746	\$ 876,884	\$ 1,324,204	\$ 1,544,954
Special items										
Proceeds from sale of lad	\$ -	\$ -	\$ 311,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 66,989	\$ 829,536	\$ (2,458,713)	\$ (411,578)	\$ 1,706,353	\$ 43,136	\$ 191,098	\$ 885,813	\$ 1,616,301	\$ 5,373,803
Acquisition of Capital Assets	\$ 1,157,811	\$ 245,613	\$ 2,137,099	\$ 2,856,864	\$ 467,291	\$ 1,627,247	\$ 3,215,979	\$ 673,226	\$ 2,110,597	\$ 1,612,955
Debt Service as a Percentage of Non-Capital Expenditures	5.75%	5.54%	6.73%	6.17%	6.72%	6.70%	6.12%	5.72%	4.28%	3.41%

Table 5
City of Palatka, Florida
Taxable and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY*		TOTALS		Total Direct Tax Rate	Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value		
2011-12	\$331,832,689	\$691,859,577	\$ 57,098,415	\$ 89,429,756	\$388,931,104	\$ 781,289,333	8.6500	49.78%
2012-13	309,467,179	631,505,080	54,838,730	86,657,926	364,305,909	718,163,006	9.1749	50.73%
2013-14	312,960,196	638,829,722	54,787,757	89,543,661	367,747,953	728,373,383	9.1749	50.49%
2014-15	318,343,135	645,989,098	54,579,756	97,774,215	372,922,891	743,763,313	9.1749	50.14%
2015-16	332,051,212	657,991,860	51,457,342	96,823,302	383,508,554	754,815,162	6.9967	50.81%
2016-17	351,896,928	689,357,447	58,333,154	100,594,145	410,230,082	789,951,592	6.4000	51.93%
2017-18	369,198,476	723,289,677	68,504,101	107,053,941	437,702,577	830,343,618	6.4000	52.71%
2018-19	392,589,294	771,432,092	68,468,396	105,539,291	461,057,690	876,971,383	6.4000	52.57%
2019-20	413,633,487	804,669,541	71,898,754	163,548,157	485,532,241	968,217,699	6.4000	50.15%
2020-21	441,336,737	847,856,699	73,012,701	197,501,443	514,349,438	1,045,358,142	6.4000	52.05%

*Centrally assessed values are included under Personal Property in this table.

Source: Putnam County Property Appraiser

Table 6
City of Palatka, Florida
Property Taxable Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy	Delinquent Tax Collections	Total Tax Collections	% of Total Collections to Levy
2012	\$ 3,364,254	\$ 3,261,185	0.9694	\$ 9,432	\$ 3,270,617	0.9722
2013	3,345,632	3,244,766	0.9699	12,660	3,257,426	0.9736
2014	3,323,508	3,262,179	0.9815	5,509	3,267,687	0.9832
2015	3,409,963	3,309,868	0.9706	8,707	3,318,575	0.9732
2016	2,757,997	2,545,988	0.9231	16,112	2,562,101	0.9290
2017	2,679,105	2,370,771	0.8849	16,305	2,387,076	0.8910
2018	2,768,368	2,540,806	0.9178	11,999	2,552,805	0.9221
2019	2,930,646	2,701,320	0.9217	11,180	2,712,500	0.9256
2020	3,090,935	2,858,102	0.9247	6,306	2,864,408	0.9267
2021	3,287,681	3,002,070	0.9131	7,767	3,009,837	0.9155

Source: Putnam County Tax Collector

Table 7
City of Palatka, Florida
Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Palatka			Putnam County			Schools			Other	Total
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total Schools		
2012	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.520	0.000	7.520	0.3313	25.078
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439
2014	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.356	0.000	7.356	0.3283	25.759
2015	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.204	0.000	7.204	0.3164	25.595
2016	6.9967	0.0000	6.9967	9.0914	0.0000	9.0914	6.924	0.000	6.924	0.3023	23.314
2017	6.4000	0.0000	6.4000	9.8892	0.0000	9.8892	6.354	0.000	6.354	0.2724	22.916
2018	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	6.155	0.000	6.155	0.2562	22.406
2019	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.2562	22.120
2020	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.6254	22.489
2021	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.6254	22.489

Source: Florida Department of Revenue (Millage and Taxes Levied Report), Putnam County School District, St. Johns River Water Management District

Table 8
City of Palatka, Florida
Principal Taxpayers
Current and Nine Years Ago

<u>Taxpayer</u>	Fiscal Year 2021			Fiscal Year 2012		
	Taxable	Rank	Percentage	Taxable	Rank	Percentage
	Assessed Value		of Total City Assessed Value	Assessed Value		of Total City Assessed Value
Putnam Community Medical Center	\$ 21,068,350	1	4.10%	\$ 14,448,614	1	3.71%
Florida Power & Light	17,607,334	2	3.42%	6,657,610	4	1.71%
Wal-Mart Inc.	13,520,540	3	2.63%	11,869,249	2	3.05%
9520 Bonita Beach Rd LLC	11,863,300	4	2.31%	-		0.00%
Comcast	11,117,874	5	2.16%	-		0.00%
Revenue Properties Town & Country	10,873,419	6	2.11%	8,049,018	3	2.07%
Home Depot	7,848,774	7	1.53%	6,122,419	5	1.57%
Lowes	7,799,748	8	1.52%	5,841,381	7	0.00%
Comarco	5,887,970	9	1.14%	-		0.00%
Palatka Mall, LLC	5,426,670	10	1.06%	3,837,851	10	0.99%
Bellsouth Telecommunications	-		0.00%	6,076,759	6	1.56%
Southern Medical Associates, Inc.	-		0.00%	5,013,837	8	1.29%
Stag II Palatka LLC	-		0.00%	3,939,144	9	1.01%
Total	<u>\$ 113,013,979</u>		<u>21.97%</u>	<u>\$ 71,855,882</u>		<u>15.96%</u>

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	Total	Net GBD to Personal Income	Net GBD Per Capita
2012	\$ -	0.00%	\$ -
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-
2020	-	0.00%	-
2021	-	0.00%	-

Table 10
City of Palatka, Florida
Computation of Legal Debt Margin
September 30, 2021

The Constitution of the State of Florida, Florida Statute 200.181 and the City of Palatka, set no legal debt margin.

Table 11
City of Palatka, Florida
Computation of Direct and Overlapping
Governmental Activities Debt
September 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
SRF - Wastewater	\$ 724,034	15.69%	\$ 113,601
Series 2008B	3,626,000	15.69%	\$ 568,919
Series 2008A	1,760,000	15.69%	\$ 276,144
Debt repaid with 1/2 cent sales tax			
Putnam County Board of County Commissioners			
USDA - Jail	8,382,400	16.00%	1,341,184
USDA - Jail	8,350,100	16.00%	1,336,016
Subtotal, overlapping debt			3,635,864
City direct debt			1,176,875
Total direct and overlapping debt			<u><u>\$ 4,812,739</u></u>

Source: Putnam County Board of County Commissioners

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Palatka. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

For debt repaid with sales surtax revenues, the percentage of overlapping debt applicable is estimated using the total amount of local infrastructure surtax revenues received by the City divided by the total amount of local infrastructure surtax revenues received by Putnam County.

For debt repaid with 1/2 cent sales revenues, the percentage of overlapping debt applicable is estimated using the total amount of 1/2 cent sales tax revenues received by the City divided by the total amount of 1/2 cent sales tax revenues received by Putnam County.

Table 12
City of Palatka, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage of Personal Income (1)	Outstanding Debt Per Capital (1)
	Loans/Notes Payable	Revenue Bonds	Capital Leases	Loans/Notes Payable	Revenue Bonds	Capital Leases			
2012	\$ 2,728,652	\$ -	\$ 23,285	\$ 7,138,784	\$ 7,213,044	\$ 20,260	\$ 17,124,025	6.34%	\$ 1,678
2013	2,424,226	-	315,228	6,734,477	7,074,630	177,382	16,725,943	6.19%	1,635
2014	1,957,098	-	768,164	6,257,284	7,105,000	397,875	16,485,421	5.79%	1,589
2015	1,636,778	-	988,584	5,760,423	6,950,000	624,217	15,960,002	5.30%	1,532
2016	1,307,202	-	783,913	5,258,825	6,790,000	527,933	14,667,873	4.63%	1,391
2017	696,221	-	586,245	4,750,125	6,620,000	802,487	13,455,078	3.10%	1,262
2018	623,854	-	1,008,897	4,231,390	6,445,000	630,775	12,939,916	2.78%	1,215
2019	560,628	-	1,073,659	4,613,953	6,265,000	801,800	13,285,040	2.78%	1,239
2020	336,331	-	1,480,813	4,274,557	5,620,357	873,376	12,585,434	2.54%	1,169
2021	252,974	-	1,176,875	5,698,736	5,620,357	650,843	13,399,785	0.00%	-

Note: (1) See the demographic statistics table 14 for population and annual personal income data.
The figures provided represent ratios of total primary government outstanding debt to annual personal income and population.

Table 13
City of Palatka, Florida
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Airport Revenue Notes						Water Revenue Bonds and Notes					
	Loans/Notes Payable	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Utility Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2012	\$ 865,806	\$ 858,383	\$ 7,423	\$ 133,333	\$ 84,282	3.41%	\$ 4,018,770	\$ 2,991,037	\$ 1,027,733	\$ 372,266	\$ 443,637	125.96%
2013	907,406	856,688	50,718	1,526,668	81,774	3.15%	4,133,555	3,126,815	1,006,740	382,662	429,950	123.89%
2014	800,752	763,727	37,025	143,000	39,490	20.29%	4,445,938	3,153,100	1,292,838	393,193	421,220	158.74%
2015	815,512	759,361	56,151	136,000	35,211	32.80%	4,389,299	3,366,342	1,022,957	398,861	412,073	126.15%
2016	731,026	694,973	36,053	129,000	31,166	22.51%	4,854,320	3,263,396	1,590,924	410,598	402,179	195.74%
2017	811,406	804,190	7,216	127,000	27,290	4.68%	5,033,528	3,949,525	1,084,003	424,700	389,195	133.19%
2018	867,455	836,973	30,482	124,000	23,490	20.67%	5,950,043	3,785,906	2,164,137	436,734	378,238	265.55%
2019	932,937	913,417	19,520	137,000	19,602	12.46%	6,007,511	5,093,878	913,633	447,991	362,285	112.76%
2020	857,692	596,367	261,325	142,000	15,649	68.08%	6,482,818	3,182,885	3,299,933	6,318,396	410,315	49.04%
2021	1,073,635	823,040	250,595	142,000	11,793	162.94%	7,153,131	3,596,431	3,556,700	462,433	147,838	582.81%

Fiscal Year	Golf Revenue Bonds						Infrastructure Surtax Revenue Note			
	Golf Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Sales Surtax	Debt Service		Coverage
			Principal	Interest			Principal	Interest		
2012	\$ 593,718	\$ 838,545	\$ (244,827)	\$ 141,804	\$ 97,560	-102.28%	\$ 683,697	\$ 266,667	\$ 124,560	174.76%
2013	702,153	829,833	(127,680)	1,400,989	96,895	-8.52%	699,302	2,133,334	133,651	30.85%
2014	724,954	846,859	(121,905)	96,000	56,372	-80.00%	733,349	411,000	43,096	161.50%
2015	717,547	856,783	(139,236)	117,000	51,999	-82.39%	773,912	262,000	33,217	262.15%
2016	680,937	880,507	(199,570)	122,000	46,984	-118.10%	833,084	269,000	27,013	281.43%
2017	223,655	329,668	(106,013)	127,000	41,756	-62.82%	866,313	275,000	20,157	293.51%
2018	65,168	85,195	(20,027)	162,810	36,274	-10.06%	936,623	345,367	25,701	252.41%
2019	94,760	116,009	(21,249)	158,804	30,482	-11.23%	957,089	347,192	17,272	262.60%
2020	93,756	134,886	(41,130)	167,136	24,510	-21.46%	993,580	184,912	72,974	385.28%
2021	106,506	144,764	(38,258)	194,022	18,571	-18.00%	1,160,849	126,400	23,248	775.72%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida
Demographic Statistics
Last Ten Fiscal Years

Fiscal year	Population (1)	Personal Income (million of dollars) (2)	Per Capita Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2012	10,203	\$ 291	\$ 26,481	5,585	11%
2013	10,230	297	26,411	4,888	9%
2014	10,377	285	27,439	4,959	8%
2015	10,418	301	28,919	5,096	7%
2016	10,548	316	30,005	5,043	6%
2017	10,662	434	40,723	5,460	5%
2018	10,649	465	43,685	5,449	5%
2019	10,723	479	44,643	5,499	4%
2020	10,770	495	45,982	5,432	5%
2021	10,468	496	47,362	5,114	6%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research,
Florida Estimate of Population (2007-2010, 2012-2016), 2010 Census (2011)
- (2) Personal Income figures are the results of multiplying Per Capita Personal
Income by the population
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
Figures from 2017 - 2019 are based on per capita personal income data.
Figures from 2020 are projected estimates based on trend analysis calculations.
- (4) Florida Department of Education ED Stats Tool
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15
City of Palatka, Florida
Principal Employers
Current and Nine Years Ago

Employer	Fiscal Year 2021			Fiscal Year 2012		
	Assessed Value	Rank	Percentage of Total City Employment	Assessed Value	Rank	Percentage of Total City Employment
Putnam County School District	1,417	1	26.31%	\$ 1,490	1	27.67%
Georgia Pacific	1,000	2	18.57%	1,125	2	0.00%
Putnam County Board of County Commissioners	714	3	13.26%	666	3	12.37%
St Johns River Water Management District	700	4	13.00%	370	6	6.87%
Putnam Community Medical Center, LLC	618	5	11.48%	477	4	8.86%
St. Johns River State College	400	6	7.43%	270	5	5.01%
Walmart Supercenter	315	7	5.85%	-		0.00%
Publix Super Market	300	8	5.57%	-		0.00%
Seminole Electric Cooperative, Palatka	270	9	5.01%	285	9	5.29%
Winn Dixie Stores, Inc.	190	10	3.53%	194	6	3.60%
Palatka Health Care Center	-		0.00%	190	9	3.53%
Kangaroo Express	-		0.00%	179	10	0.00%
Total	<u>5,924</u>		<u>110.01%</u>	<u>\$ 5,246</u>		<u>73.20%</u>

Source: Putnam County Property Appraiser

Table 16
City of Palatka, Florida
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government:										
Building permits issued	595	583	561	497	543	502	572	31	16	2
Building inspections conducted	1,257	898	913	994	1,415	996	1,138	-	-	-
Code enforcement Cases	184	214	150	88	12	140	125	132	127	127
Occupational license issued	1,078	675	239	866	710	830	754	632	805	805
Police:										
Calls for service	32,709	30,616	30,595	29,946	23,586	19,490	21,535	30,952	26,746	23,901
Physical arrests	1,047	788	788	784	617	497	405	856	969	856
Citations	1,660	1,470	1,904	1,294	656	317	390	1,335	785	826
Fire:										
Emergency responses	2,498	2,173	2,142	2,128	2,967	3,125	3,095	3,098	3,267	3,861
Fires extinguished	41	125	374	398	58	63	85	58	62	79
Refuse collection:										
Customers	3,869	3,827	3,867	3,873	3,914	3,997	4,605	4,342	4,089	4,675
Other public works:										
Street resurfaced (miles)	-	-	-	-	-	0	0.3	0.2	0.2	0.2
Potholes repaired	58	63	65	40	16	128	97	64	64	64
Parks and recreation:										
Community center rentals	83	129	65	72	63	141	137	137	58	58
Human Services:										
Interments	107	117	79	111	97	99	113	73	125	125
Water:										
Water main breaks	7	26	64	107	269	292	338	307	391	391
Average daily consumption (thousands of gallons)	1,811	1,684	1,706	1,728	1,654	1,316	1,143	1,710	1,317	1,665
Peak daily consumption (thousands of gallons)	2,908	2,139	2,634	2,420	2,278	1,726	1,941	2,012	2,021	2,480
Wastewater:										
Average daily treatment (thousands of gallons)	2,040	1,540	1,700	1,500	1,330	1,429	1,429	1,519	1,520	1,950
Airport:										
Rentals-T Hangars	54	54	55	55	64	64	64	64	64	64
Building	1	2	2	2	2	2	3	3	3	3
Land leases	1	1	1	1	1	1	1	1	1	1
Commercial Hangars	3	3	3	3	3	3	3	3	3	3
Executive Hangars	3	3	3	3	4	4	4	4	4	4

Source: Departments of the city

Table 17
City of Palatka, Florida
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function</u>	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government										
General Administration	8	8	8	8	7	9	11	12	12	14
Attorney	1	1	1	1	1	1	1	1	-	-
Mainstreet	1	1	1	1	-	-	-	-	-	-
Information Technology	-	1	1	1	1	-	-	1	-	-
Facilities Maintenance	-	1	1	1	1	1	2	1.0	2	2
Public Safety										
Building & Zoning	4	4	5	4.0	4	3	3	3	2	2
Police Officers	35	34	36	36	33	34	34	32	32	32
Police Clerical	7	7	6.5	6.5	6.5	6.0	6.0	6.5	6.5	6.5
Code Enforcement	1	1	1	2	1.5	1.5	1.5	1.5	2.0	2.0
Firefighters	23	24	23.5	23.5	23.5	22.5	22.5	22.5	25.5	25.5
Transportation										
Streets	6	6	6	6	6	10	9.5	9.0	9	9
Human Services										
Cemeteries	2	2	2	3	-	-	-	-	-	-
Culture/Recreation	5	5	6	4	2.5	1.0	1	2	3.0	3.0
Business Type Activities:										
Airport	3	3	3	3	3	4	3.5	3.0	3	3
Water	32	32	30	33	31	28.0	28	31	31	31
Golf	-	-	-	-	-	-	-	-	-	-
Sanitation	13	17	14	17	18	16.0	16	17	17	17

Source: City of Palatka Personnel Department

Table 18
City of Palatka, Florida
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

<u>Function</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
General Administration	8	8	8	8	8	7	9	11	12	12
Attorney	1	1	1	1	1	1	1	1	1	-
Mainstreet	1	1	1	1	1	-	-	-	-	-
Information Technology	-	-	1	1	1	1	-	-	0.5	-
Facilities Maintenance	-	-	1	1	1	1	1	1.5	1	2
Public Safety										
Building & Zoning	4	4	4	4.5	4	4	3	3	3	2
Police Officers	34	35	34	36	36	33	34	34	32	32
Police Clerical	7	7	6.5	6.5	6.5	6.5	6.0	6.0	6.5	6.5
Code Enforcement	1	1	1	1	1.5	1.5	1.5	1.5	1.5	2
Firefighters	23	23	23.5	23.5	23.5	23.5	22.5	22.5	22.5	25.5
Transportation										
Streets	6	6	6	6	6	6	9.5	9.5	9	9
Human Services										
Cemeteries	2	2	2	2	3	-	-	-	-	-
Culture/Recreation	5	5	5	6	3.5	2.5	1	1	1.5	3
Business Type Activities:										
Airport	2	3	3	3	3	3	3.5	3.5	3	3
Water	31	32	32	30	33	30.5	28	28	31	31
Golf	-	-	-	-	-	-	-	-	-	-
Sanitation	14	13	17	14	17	17.5	16	16	17	17

Source: City of Palatka Personnel Department

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 Honorable Mayor and Members of the City Commission
City of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the ‘City’), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s, basic financial statements, and have issued our report thereon dated June 28, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Palatka, Florida's Response to Findings

City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 28, 2022

City of Palatka, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

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

City of Palatka, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2021

Section II – Financial Statement Findings

Finding -2021-01- City should perform the appropriate and timely cash reconciliations.

Condition-We noted that not all accounts were properly reconciled; outstanding checks were included in the cash reconciliation schedule were not properly posted to the accounting system. Items clearing much later in the month following month end closing were improperly listed as deposits in transit.

Effect- The cash position of the City may not be properly reflected on the financial Statements.

Cause-The staff responsible for reconciling the bank accounts did not timely reconcile certain cash for certain bank accounts. Items listed as deposit-in-transit and outstanding checks were not properly analyzed before listing in the cash reconciliations that were prepared.

Criteria-Generally accepted accounting principles require that cash position, including all outstanding checks and deposits in transit, is accurately reflected in the financial statements.

Recommendation-We recommend that personnel, that is not directly associated with recording entries to the GL reconcile all cash accounts on a timely basis and that all reconciling items are accurately listed in the reconciliations.

Managerial Response- Management concurs with this finding.

Finding -2021-02- City should reclass Construction In Progress to Fixed Assets upon completion of project

Condition: During our review of the construction in process, we noted that the final invoice of the CIP was paid for and marked completed, however the fixed asset was not reclassified to its proper designation.

Criteria: CIP should be reclassified once it is completed and designated for its intended use.

Cause: The pending approval by the grant administrator holds the assets in an improper designation.

Effect: The improper presentation of CIP overstates construction in progress and understates fixed assets.

Recommendation: We recommend that the City reclass completed projects from CIP to the final fixed asset designation on a timely basis.

Managerial Response- Management concurs with this finding.

City of Palatka, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2021

Finding-2021-03- City remit state payroll checks to the appropriate department of the State of Florida

Condition-We noted during our test work that there were paychecks that were outstanding for long periods of time, some dating back to 2017.

Effect- Cash may be understated because of unresolved “stale” (long outstanding) checks but more importantly, unresolved outstanding pay checks may be in violation of Florida law.

Cause-We found that stale checks were not being reviewed timely to determine whether they should be “written back” to the books, or forwarded to the state under Florida law.

Criteria-As set forth in Florida’s unclaimed Property Laws (FS Chapter 717), paychecks must be forwarded to the State if they remain unclaimed by the employee after one year. Generally accepted accounting principles require that cash position, including all outstanding checks and deposits in transit, is accurately reflected in the financial statements.

Recommendation-We recommend that personnel, develop a policy to review and resolve all outstanding checks. In the case of outstanding paychecks, we recommend the City enact a policy and procedure to review outstanding payroll checks to determine whether the outstanding period exceeds guidelines under Florida unclaimed property rules, and if so related amounts should be remitted to the state.

Managerial Response- Management concurs with the finding.

Section III – Federal Awards Findings and Questioned Costs

No current-year matters were reported.

Section IV – Prior-Year Audit Findings

Financial Statement Findings

Finding No. 2020-001 Controls over Payroll Processing

Finding Type: Internal Control and Material Weakness

Condition:

During our review of the controls over payroll and the processing of payroll, we a lack of segregation of duties as there was only one individual who processed and approved payroll prior to being processed for payment.

City of Palatka, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2021

Recommendation:

We recommend that the City reviews the existing policies and procedures and develop new processes to ensure that there is a strong segregation of duties with processing the payroll for payment.

Current Year Status:

Condition no longer exists. There were no material adjustments made in FY2021.

Finding No. 2020-002 Incorrect employee payments

Finding Type: Internal Control and Material Weakness

Condition:

During our review of the controls over payroll and employee payrates, we noted that multiple employee's payrates did not match their approved payrates, resulting in employees to be both over and under paid.

Recommendation:

We recommend that the City reviews the existing policies and procedures and develop new processes to ensure that there is a strong segregation of duties with processing the payroll for payment.

Current Year Status:

Condition no longer exists. There were no material adjustments made in FY2021.

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

To the Honorable Mayor and Members of the City Commission
City of Palatka, Florida

We have examined the City of Palatka (the City’s) 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, 2021. Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on the City’s compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2021. 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 City Commission, 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 28, 2022

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

To the Honorable Mayor and Members of the City Commission
City of Palatka, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Palatka, Florida (the ‘City’), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 28, 2022.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 28, 2022, 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. Corrective actions have been taken to address findings and recommendations made in the preceding 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. All related disclosures have been made in the notes to the financial statements.

Financial Condition and Management

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

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

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

Special District Component Units

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

Additional Matters

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

Purpose of this letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, Members of the City Council, 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 28, 2022