

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

Audit Report
For the Year Ended September 30, 2021



HCT Certified Public Accountants and Consultants, LLC

3816 Hollywood Boulevard, Suite 203

Hollywood, Florida 33021

Telephone: (954) 966-4435

Facsimile: (954) 962-7747

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Palatka Gas Authority

Opinion

We have audited the accompanying financial statements of the Palatka Gas Authority (the "Authority"), a component unit of the City of Palatka, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General of the State of Florida. Our responsibilities under those standards and rules are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.550 will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension-related and OPEB-related information on pages 3–7 and 25–27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022 on our consideration of the Authority's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 30, 2022

**Palatka Gas Authority
Management's Discussion and Analysis
September 30, 2021**

As management of the Palatka Gas Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's overall net position increased by approximately \$108,000 or 1.92%.
- Total ending unrestricted net position was (\$11,640).
- The Authority had total expenses and transfers for the year of about \$2,298,317, compared to revenues of approximately \$2,406,098, net of cost of goods sold.

Overview of Financial Statements

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

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

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

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

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Palatka Gas Authority
Management's Discussion and Analysis (Continued)
September 30, 2021

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

Summary of Net Position
September 30, 2021 and 2020

	2021	2020
Assets:		
Current and other assets	\$ 4,968,279	\$ 4,547,273
Capital assets	5,821,140	5,817,923
Total assets	10,789,419	10,365,196
Deferred outflows of resources:		
Pension related items	59,482	236,300
OPEB related items	13,701	13,701
Total deferred outflows of resources	73,183	250,001
Liabilities:		
Current and other liabilities	3,677,974	3,362,398
Long-term liabilities outstanding	1,180,786	1,621,906
Total liabilities	4,858,760	4,984,304
Deferred inflows of resources:		
Pension related items	285,814	20,646
OPEB related items	8,528	8,528
Total deferred inflows of resources	294,342	29,174
Net position:		
Invested in capital assets (net of related debt)	5,821,140	5,817,923
Unrestricted	(111,640)	(216,204)
Total net position	\$ 5,709,500	\$ 5,601,719

Palatka Gas Authority
Management's Discussion and Analysis (Continued)
September 30, 2021

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

	2021	2020
Revenues:		
Operating revenues:		
Gas sales	\$ 2,624,123	\$ 2,095,840
Cost of gas sold	(932,469)	(630,093)
Other operating revenues	667,150	698,171
Total revenues	<u>2,358,804</u>	<u>2,163,918</u>
Operating expenses:		
Personal services	1,029,035	1,049,916
Other expenses	756,622	660,076
Depreciation	323,281	300,291
Total operating expenses	<u>2,108,938</u>	<u>2,010,283</u>
Operating income	<u>249,866</u>	<u>153,635</u>
Nonoperating revenues		
Interest revenue	4,537	17,595
Capital contributions	8,400	-
Gain on disposal of assets	34,357	6,031
Total nonoperating revenues	<u>47,294</u>	<u>23,626</u>
Transfer (out) to the City of Palatka	(189,379)	(181,203)
Increase (decrease) in net position	<u>107,781</u>	<u>(3,942)</u>
Net position at beginning of year	<u>5,601,719</u>	<u>5,605,661</u>
Net position at end of year	<u>\$ 5,709,500</u>	<u>\$ 5,601,719</u>

Overall Financial Position and Results of Operations

The net position of the Authority increased by approximately \$107,000 or about 1.92%. Sales increased by \$528,283 or 25.21% and the cost of gas sold increased by \$302,544 or 8.37%. However, overall operating expenses for 2020 decreased by approximately \$340,376 or 47.99% over 2020. This increase was primarily related to an increase in spending due to a resumption of operations following the economic shut down starting March 2020.

Palatka Gas Authority
Management's Discussion and Analysis (Continued)
September 30, 2021

Capital Asset and Debt Administration

Capital Assets

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

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

Long-term Debt

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

Economic Factors and Next Year's Budgets and Rates

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

Request for Information

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

Palatka Gas Authority
Statement of Net Position
As of September 30, 2021

Assets

Current assets	
Cash and cash equivalents	\$ 1,543,876
Investments	748,049
Accounts receivable, net	1,523,802
Inventory	90,346
Total current assets	3,906,073
Restricted assets	
Investments restricted for customer deposits	1,062,206
Noncurrent assets	
Capital assets:	
Non-depreciable	211,364
Depreciable, net	5,609,776
Total noncurrent assets	5,821,140
Total Assets	\$ 10,789,419
Deferred outflows of resources	
Pension related	59,482
OPEB related	13,701
Total deferred outflows of resources	73,183
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 93,249
Due to City of Palatka	2,270,136
Total current liabilities	2,363,385
Current liabilities:	
Deposits	473,683
Deposits - City	840,906
Non Current Liabilities due within one year	21,727
Total current liabilities	1,336,316
Noncurrent liabilities:	
Due in more than one year	1,159,059
Total noncurrent liabilities	1,159,059
Total liabilities	4,858,760
Deferred inflows of resources	
Pension related	285,814
OPEB related	8,528
Total deferred inflows of resources	294,342
Net position	
Net investment in capital assets	5,821,140
Unrestricted	(111,640)
Total net position	\$ 5,709,500

The accompanying notes are an integral part of the financial statements

Palatka Gas Authority
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Year Ended September 30, 2021

Operating revenues	
Gas sales	\$ 2,624,123
Cost of gas sold	(932,469)
	<hr/>
Gross profits	1,691,654
Other operating revenues	667,150
	<hr/>
Total operating revenues, net	<u>2,358,804</u>
Operating expenses	
Personal services	1,029,035
Other expenses	756,622
Depreciation	323,281
	<hr/>
Total expenditures	<u>2,108,938</u>
Operating income	<u>249,866</u>
Nonoperating revenues	
Investment earnings	4,537
Capital contributions	8,400
Gain on disposal of assets	34,357
	<hr/>
Total nonoperating revenues	<u>47,294</u>
Income (loss) before transfers	<u>297,160</u>
Transfer to the City of Palatka	(189,379)
Net change in net position	<u>107,781</u>
Net position - beginning of year	5,601,719
Net position - end of year	<u><u>\$ 5,709,500</u></u>

The accompanying notes are an integral part of the financial statements

Palatka Gas Authority
Statement of Cash Flows
Year Ended September 30, 2021

Cash flows from operating activities:	
Receipts from customers	\$ 2,852,530
Payments to suppliers	(728,224)
Payments to employees	(1,470,155)
Net cash provided by (used in) operating activities	<u>654,151</u>
Cash flows from non-capital financing activities:	
Transfer to City of Palatka	<u>(189,379)</u>
Cash flows from capital and related financing activities:	
Acquisition and construct of capital assets	(354,216)
Proceeds from sale of capital assets	34,357
Net cash provided by (used in) capital and related financing activities	<u>(319,859)</u>
Cash flows from investing activities:	
Acquisition of investments	33,083
Interest received	4,537
Net cash provided by investing activities	<u>37,620</u>
Net increase (decrease) in cash and cash equivalents	182,533
Cash and cash equivalents at beginning of year	<u>1,361,343</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,543,876</u></u>
Cash flows from operating activities:	
Operating income	\$ 249,866
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	323,281
Change in assets and liabilities:	
(Increase) decrease in receivables, net	(215,659)
(Increase) decrease in inventory	(19,809)
(Increase) decrease in deferred outflows	176,818
Increase (decrease) in accounts payable and accrued liabilities	220,273
Increase (decrease) in deposits	95,333
Increase (decrease) in compensated absences	(10,715)
Increase (decrease) in total OPEB liability	-
Increase (decrease) in net pension liability	(430,405)
Increase (decrease) in deferred inflows	265,168
Net cash provided by (used in) operating activities	<u><u>\$ 654,151</u></u>

The accompanying notes are an integral part of the financial statements

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 – REPORTING ENTITY

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectible accounts, where appropriate. Accounts receivable of the Authority is net of a \$12,071 allowance.

Inventory

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

Capital Assets

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

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

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Post-Employment Benefits Other than Pensions (OPEB)

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

Due to City of Palatka/Deposits-City

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

Use of Estimates

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS

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

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended September 30, 2021 follows:

	Balance October 1, 2020	Additions	Deletions	Transfers	Balance September 30, 2021
Gas Authority capital assets					
Capital assets not being depreciated:					
Land	\$ 211,543	\$ -	\$ 179	\$ -	\$ 211,364
Total not being depreciated	211,543	-	179	-	211,364
Capital assets being depreciated:					
Buildings and improvements	1,467,709	-	-	-	1,467,709
Furniture and equipment	1,220,534	66,127	-	-	1,286,661
Plant assets and equipment	7,221,043	288,089	-	-	7,509,132
Total being depreciated	9,909,286	354,216	-	-	10,263,502
Less accumulated depreciation for:					
Buildings and improvements	470,536	45,264	-	-	515,800
Furniture and equipment	911,930	115,651	-	-	1,027,581
Plant assets and equipment	2,920,440	189,905	-	-	3,110,345
Total accumulated depreciation	4,302,906	350,820	-	-	4,653,726
Total being depreciated, net	5,606,380	3,396	-	-	5,609,776
Gas Authority capital assets, net	<u>\$ 5,817,923</u>	<u>\$ 3,396</u>	<u>\$ 179</u>	<u>\$ -</u>	<u>\$ 5,821,140</u>

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 5 – CHANGES IN LONG-TERM LIABILITIES

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

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021	Due Within One Year
Net pension liability	\$ 1,537,229	\$ -	\$ 430,405	\$ 1,106,824	\$ -
Total OPEB liability	67,429	-	-	67,429	-
Compensated absences	17,248	11,012	21,727	6,533	21,727
Totals	\$ 1,621,906	\$ 11,012	\$ 452,132	\$ 1,180,786	\$ 21,727

NOTE 6 – TRANSFER TO CITY OF PALATKA

Ordinance 16-03 establishes that within 30 days following the end of each calendar month, the Authority will transfer a base line of 5.9% of gross revenues associated with sale of natural gas. For fiscal year 2021, the Authority transferred \$189,379 to the City.

NOTE 7 – PENSION PLAN

Plan Description

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

Contributions

The rates at September 30, 2021 were 25.22% for the Authority and 6.0% for employees. The Authority’s contributions to the Plan for the year ended September 30, 2021 were \$265,665.

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Benefits Provided

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

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

The Authority allocated a proportional share of 21.10% of the net pension liability of the Plan based on an allocation proportional to the contribution requirements. This basis is intended to measure the proportion of each employer's long-term funding requirements. The Authority's share of the net pension liability is \$1,106,824 as of September 30, 2021.

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.

For the year ended September 30, 2021, the Authority's recognized pension expense is \$252,179.

At September 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deffered Outflows of Resources -	Deffered Inflows of Resources -
Differences between expected and actual experience	\$ 46,885	\$ -
Chnages of assumptions	12,597	10,232
Difference between projected and actual earnings on pension plan investments (net)	-	275,584
Total	\$ 59,482	\$ 285,816

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

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

Year ending September 30,	
2022	\$ (18,371)
2023	(36,718)
2024	(86,037)
2025	(85,206)
2026	-
Thereafter	-
Total	\$ (226,332)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2020, applicable to September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

	General
Investment rate of return	7.4%
Projected salary increases*	Service based
* Includes inflation at	2.7%
Post Retirement COLA	0.0%

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

The most recent actuarial experience study for which significant assumptions are based upon was dated September 20, 2019.

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocations as of September 30, 2018 are summarized in the following table:

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

Discount Rate

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

Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
	6.40%	7.40%	8.40%
Net Pension Liability	\$ 2,136,447	\$ 1,554,477	\$ 1,063,191

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is included in the 2021 Comprehensive Annual Financial Report of the City of Palatka, Florida.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Other Post-Employment Benefits Plan – Plan Description

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

Benefits Provided

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

Contributions

The contribution requirements of plan members and the participating employers are established and may be amended by the City. The Authority’s required contribution, actuarially determined, is based on a combination of projected pay-as-you-go financing, with an additional amount to prefund benefits when earned. Contributions are not based on a measure of pay. The Authority’s contractually required contribution for the year ended September 30, 2021, was \$1,531. Actual contributions to the OPEB Plan from the Authority were \$1,531 for the year ended September 30, 2020. Authority retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

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

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

At September 30, 2021, the Authority reported a liability of \$67,429 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2020, and was determined by an actuarial valuation as of October 1, 2019. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation date. The Authority's proportion of the total OPEB liability was based on the Authority's projected long-term contribution effort to the OPEB Plan as compared to the total projected long-term contribution effort of all employers. At September 30, 2020, the Authority's proportion of total OPEB liability was 8.40%. For the year ended September 30, 2018, the Authority recognized OPEB expense of \$7,750.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,199
Changes of assumptions	13,701	2,329
Total	\$ 13,701	\$ 8,528

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

Year ending September 30,	
2021	\$ 913
2022	913
2023	913
2024	1,689
2025	746
Thereafter	-
Total	\$ 5,174

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

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

Actuarial Methods and Assumptions

The total OPEB liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 4.18%. The discount rate is based on the high-quality municipal bond rate, defined as the Bond Buyer 20-Bond Index as published by the Federal Reserve.

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

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

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

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

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – COMMITMENTS, CONTEGENCIES, AND UNCERTAINTIES

The Authority evaluated its September 30, 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 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through June 30, 2022, the date the financial statements available to be issued, require potential adjustment to or disclosure in the financial statements.

NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

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

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

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for the fiscal year ending September 30, 2022.

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

Palatka Gas Authority
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

In May 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement provides guidance on to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement is effective for the fiscal year ending September 30, 2022.

Required Supplementary Information

Palatka Gas Authority
Schedule of Proportionate Share of Net Pension Liability
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	21.10%	21.10%	21.10%	23.09%	18.00%	18.48%	18.17%
Employer's proportion share of the net pension liability	\$ 926,179	\$ 926,179	\$ 1,654,199	\$ 1,594,532	\$ 1,173,621	\$ 1,096,398	\$ 926,176
Employer's covered payroll	\$ 778,484	\$ 778,484	\$ 735,608	\$ 726,984	\$ 575,526	\$ 541,519	\$ 541,416
Employer's proportion share of the net pension liability as a percentage of its covered payroll	118.97%	118.97%	224.88%	219.34%	203.92%	202.47%	171.07%
Plan fiduciary net position as a percentage of the total pension liability	72.21%	77.67%	69.99%	72.63%	74.03%	74.59%	76.70%

Palatka Gas Authority
Schedule of Schedule of Employer Contributions
Year Ended September 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 285,704	\$ 285,704	\$ 221,610	\$ 200,027	\$ 133,036	\$ 125,639	\$ 124,743
Contribution in relation to the actuarially determined contributions	285,704	285,704	221,610	200,027	133,036	125,639	124,745
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2)
Covered payroll	\$ 778,484	\$ 778,484	\$ 735,608	\$ 726,984	\$ 575,526	\$ 541,519	\$ 541,416
Contributions as a percentage of covered payroll	36.70%	36.70%	30.13%	27.51%	23.12%	23.20%	23.04%

Notes to the Schedule

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

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

Palatka Gas Authority
Schedule of Proportionate Share of Total OPEB Liability
and
Schedule of Employer Contributions
Year Ended September 30, 2021
Last 10 Fiscal Years**

	2021	2020	2019	2018
Employer's proportion of the total OPEB liability	8.40%	8.40%	8.40%	8.40%
Employer's proportionate share of the total OPEB liability	\$ 67,429	\$ 67,429	\$ 58,496	\$ 48,271
	2020	2020	2019	2018
Contractually required contribution	1,531	1,531	1,258	1,999
Contributions in relation to the contractually required contribution	1,531	1,531	1,258	1,999
	\$ -	\$ -	\$ -	\$ -

Notes to the Schedule

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

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

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

Compliance Section

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Palatka Gas Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Palatka Gas Authority (the “Authority”), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s, basic financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, prior year financial statement finding, as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

The Palatka Gas Authority's Response to Findings

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

Purpose of this Report

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

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 30, 2022

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

I. Summary of Independent Auditor’s Results

Financial Statements

Type of report the auditor issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ Yes X No

Section II – Prior Year Financial Statement Findings

2019-001

Condition:

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

Recommendation:

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

Current Year Status:

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

Management’s Response and Planned Corrective Actions:

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

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

2019-002

Condition:

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

Recommendation:

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

Current Year Status:

Fully implemented.

Section III – Current Year Audit Findings

None

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

To the Board of Directors
Palatka Gas Authority

We have examined the Palatka Gas Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2021. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

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

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 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 Authority's Board, and is not intended to be and should not be used by anyone other than these specified parties.

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida
June 30, 2022

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

To the Board of Directors
Palatka Gas Authority

Report on the Financial Statements

We have audited the financial statements of the Palatka Gas Authority (the “Authority”), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 30, 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 30, 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 financial audit report. Corrective actions have not been taken to address findings and recommendations made in the preceding financial audit report. Management’s responses to the findings and recommendations can be found on the attached Schedule of Findings and Questioned Costs.

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. All related disclosures have been made in the notes to the financial statements.

Financial Condition and Management

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

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

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

Special District Component Units

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

Additional Matters

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

Purpose of this letter

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

HCT Certified Public Accountants & Consultants, LLC

Hollywood, Florida

June 30, 2022